

CURRENT SOCIAL *and* INDUSTRIAL FORCES

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INTRODUCTION BY JAMES HARVEY ROBINSON

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PREFACE

Writing in "Socialism and the Great State," Mr. H. G. Wells makes the following observation: "Now opposed to the Conservatives are all those who do not regard contemporary humanity as a final thing nor the Normal Social Life as the inevitable basis of human continuity . . . they look for new ways of living and new methods of human association with a certain adventurous hopefulness." To the latter class belong for the most part the thinkers whose writings make up this book. Unrest and disturbance are so widespread and insistent that it seems appropriate to bring together a selection of writings by a number of men who are striving to promote the ideas and forces that make for improvement. This effort to bring a wide variety of liberal minds to bear on the social and industrial problem is the chief distinguishing feature of the book.

Not all of the authors of the selections are equally liberal in their viewpoints. It will be noticed that some liberals are in thorough disagreement with others, often on the most fundamental issues. Some sources will perhaps be classed as radical and extremist; these are inserted on the presumption that, inasmuch as there is to-day a radical philosophy and extremist movement, it is to the general advantage to know what it means, whither it leads, and what power it commands. Some will obviously be termed conservative or reactionary; these are inserted either to draw a more accurate estimate by presenting both sides of an issue or to present certain facts which enter into the foundations of liberal conclusions or to suggest the power of the opposition with which liberalism must contend.

This guiding motive, obviously, is thoroughly different from an intention to make up a propagandist compilation. The aim is to present the case of those who believe in betterment. Their organized strength, their platforms and policies, their social and industrial philosophies, their plans of action, all require estimate and description. If the forces and ideas and ideals which underlie current restlessness, disturbance and fear can be brought down to words, defined and described in a manysided way, then the vital purpose which suggested the book will have been faithfully followed.

This involves, among other things, that the choice of material be guided by a recognition of the social consequences of established

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economic methods. The economic system of the present day results in an economic problem largely in so far as it adds to or detracts from social well-being and satisfaction. Economics and industry abound with human issues and the problems of disturbance and change emerge largely from the interrelations of social and industrial forces.

It is hoped that business and professional men will find this group of selections serviceable as a kind of entering wedge and center of exploration in this field of thought. For university students, the book is intended as a text-book guide and rallying point for extended investigation of current social and industrial forces. The volume endeavors to integrate and organize some of the best thought on the subject. The full books and articles from which extracts have been drawn offer a rich fund of collateral reading.

The plan of the book grew out of the editor's need for a text-book in courses on Current Historical Forces at Colgate University. These courses were created at the initiative of President Elmer Burritt Bryan in the desire to acquaint university men with some phases of history in the making. Whatever value the volume may have is attributable to the authors whose thoughts enter into the selections. Special appreciation is due to Professor James Harvey Robinson who, in addition to writing the introduction, gave valuable criticism of the undertaking. The courtesy of permission to publish copyrighted material is deeply appreciated and is recognized individually in connection with each selection printed.

The construction of the book has continually benefited by the suggestions and criticisms of my wife and has been carried on with her constant coöperation.

LIONEL D. EDIE,
Associate Professor of History and Politics, Colgate University.

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INTRODUCTION

Never before in the history of man has the discussion of public affairs been as general and intense as it is to-day. Even before the War came to stir all classes to wonder about the strange doings of nations the changes wrought by modern invention and new forms of industrial and commercial activity had forced many minds to grope toward new conceptions of man's possibilities and new ways of meeting ancient and novel predicaments. Inasmuch as we are all prone to take sides, and few there be who can so far suspend judgment as merely to contemplate and analyze vital human problems without either defending or reprobating current ideals, aims, and institutions, it comes about that thoughtful persons are popularly classified as Conservatives and Radicals. A very little observation makes it clear that the breeds are rarely pure, since almost all conservatives claim to be true progressives, and no radical really ever advocates upsetting everything. But the Conservative is temperamentally apprehensive lest change be over-precipitate and produce a general loss of hard wrought human achievement, while the radical is pre-occupied with the danger lest disaster result from lethargy and stupid adherence to outworn routine. In general the conservative is *afraid* of the Radical, while the Radical is *contemptuous* of the Conservative, who seems to him to be mistaking mere sloth and blindness and assured personal comfort and complacency for eternal principles.

In addition to the conservatives, as commonly conceived, who find their cherished mission in defending existing ideas and institutions, and the radicals, who have a rooted suspicion of the past and advocate some more or less definite program of reform, there is a small class of thinkers who understand one another pretty well, but who are sources of irritation to most of their fellow men of pronounced views. There is no name for this small class, who scarcely rise to the rank of belligerents. They seem to stand for nothing in particular, but are content to look on, and study the history of human traditions, the workings of man's desires and the influence of his ever-altering environment mainly with a view of understanding them. They take the Conservative for granted, like death or gravitation. He has been on hand to defend and "rationalize" what was familiar to him, from the time speculation about human affairs first began. He is the epiphenomenon of the vested interests, religious, social, economic,

intellectual and artistic which inevitably make up a great part of human life. The Radical on the other hand is by no means so primitive. Only criticism can produce him and hopes of a better future. He was a rare bird before the seventeenth century. We recognize his few conspicuous forerunners in Iknahon, Xenophanes, Lucretius, Roger Bacon and Pierre Dubois. When the idea of human progress emerged clearly with Francis Bacon the way was opened for those who plead with men in the name of the future possibilities rather than past standards. But our onlookers perceive that the Radical often fights his new battle in the old way; and tends to substitute new dogmas and creeds for the ancient ones. When a socialist proclaims that Capitalism is responsible for war it seems no sounder a conclusion than that of the Conservative who maintains that mankind having always drunk alcohol will always continue to do so.

From the writings of this third and nameless class Professor Edie has elected to make a considerable number of his selections—a class sometimes called “academic,” and sometimes taxed with what a distinguished member of the class, Mr. Veblen, has so well called “truculent quietism.” Their frank exposure of existing evils offends the Conservative and their reluctance to join the fray alienates the militant Radical. But they should, at their best, be playing an essential rôle in social reconstruction. They are our teachers, whose detachment ought to recommend them to all who are anxious for new knowledge and new intellectual stimulus. No one except a confessed obscurantist can find fault with their ideal of promoting scientific research and speculation in regard to public affairs. The only legitimate fear would be that they are too aloof from the actual current of events to estimate conditions correctly. But of late writers of this class have certainly been taking a far more eager interest in actual conditions than they formerly did, and are decreasingly open to the charge of relying merely on books and cloistral meditation for their ideas.

Professor Edie has, however, by no means confined himself to this class, for he has included the opinions of many notable practitioners who have actively participated in and guided large enterprises and public investigations. These have had first hand experience of the puzzling intricacy of human affairs and conflicting interests. When such men retain a broad interest in general betterment their special knowledge and experience give their findings peculiar weight.

When we read a book or article we are commonly struck by certain pregnant passages in which the writer summarizes with particular felicity his main contentions or reveals the attitude of mind which has resulted from his studies. It is such passages from a very wide range of writers which Professor Edie has culled out and ingeniously

ordered under pertinent headings. His anthology forms a really imposing stock-taking of current speculation upon pressing economic quandaries. It does not attempt to prove anything or defend anything, except the necessity of considering the pass in which humanity finds itself with the hope that with new knowledge and fuller understanding our policies of reform may be more prompt and less bungling and expensive than they might otherwise be.

JAMES HARVEY ROBINSON

New School for Social Research

CURRENT SOCIAL AND INDUSTRIAL FORCES

I. FORCES OF DISTURBANCE

*Walter E. Weyl: The End of the War **

THE final war for democracy will begin after the war. It will be a wider conflict than that which now rages and the alignment will be by classes and interests rather than by nations. It will be a war which will be waged until separate interests within each nation are completely extinguished.

Basil Manly: American Industrial Unrest †

We are about to enter a period of the most acute industrial unrest and the most bitter industrial controversy that the American nation has ever known. Unless effective and radical steps are taken to bring about a better understanding between labor and capital and to establish an equitable basis for orderly industrial progress we are certain to see within the next year strikes and mass movements of labor beside which all previous American strikes will pale into insignificance. Since the signing of the armistice we have had a large number of small strikes and a few great spectacular ones—the Seattle strike, the New York harbor strike, the Lawrence strike, the Toledo strike and a number of others of lesser consequence. But these have been so limited in comparison with the labor upheavals in other countries—in England, in Germany, in Canada, in Australia, and in the Argentine—that there has been a public disposition to regard the industrial situation with complacency and to assume that, having passed through the first part of the period of transition without

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serious industrial disturbances, we were about to enter an era of industrial peace. . . .

Those who regard the American industrial situation with complacency ignore both the psychology of the workers and the compelling ~~fact~~ facts. The workers of the allied world have been told that they were engaged in a war for democracy; that out of the ruins of the war would arise a new and more beautiful world. They are asking now, "Where is that democracy for which we fought? When are we to enter into this new world with its greater regard for the rights of the common man?" They see no change for the better, but they find themselves in conditions in many respects worse than those against which they protested before we entered the war. The masses of the people are being rapidly disillusioned, and when the people lose their illusions there is danger ahead. They have seen the prices of nearly every commodity, including rents, advance so far beyond the increases which they have secured in their weekly wages since the beginning of the war that they are now actually able to buy less of the necessities of life than before the war began. There are exceptions it is true, where the percentage of wage increase has been greater, but, if you will examine these cases of unusual increases as I have examined them, you will find that in a majority of instances those increases have come to groups of workers who are admitted, even by their employers, to have been underpaid during the pre-war period. . . .

But it is not merely that the cost of living is high and beyond the capacity of the wage-earner's pocketbook. This might be endured with some degree of patience and fortitude if the people who toiled believed that no one was profiting from their necessities, and that all were bearing the burden alike. But they have seen with their own eyes and heard with their own ears of the unconscionable profiteering of American corporations during the war, and they know that that same profiteering is now continuing unabated. I have just completed a study of the earnings of eighty-two representative American corporations, a record of whose profits is available for each year from 1911 through 1918. This is not a list selected either because the profits were large or because the profits were small. It is a list of all the corporations whose earnings covering this entire period were available to me. A compilation of these figures shows that the same eighty-two corporations which, in the pre-war years, had an average net income of \$325,000,000, had net incomes in 1916 amounting to more than \$1,000,000,000, in 1917 of \$975,000,000, and in 1918 of \$736,000,000. This is after the deduction of every dollar of State and Federal taxes, and of every conceivable charge

which these companies could devise for reducing and concealing their apparent profits.

I am convinced as a result of my study that the actual profits even after the payment of taxes in 1917 and 1918 were just as great as in 1916, the difference being accounted for by the fact that in 1916 and 1918 these corporations set up all kinds of excessive reserves for depreciation, amortization and other unspecified and fanciful contingencies, for the purpose of evading taxation and concealing their excessive earnings from the public and the tax collector. But even taking the figures as they stand, we find that these eighty-two corporations earned, net, three dollars in 1916 and 1917, and over two dollars in 1918, for every dollar which they earned in the pre-war period. This is profiteering with a vengeance, and the profiteers may well tremble lest the people avenge themselves for this shameless exploitation during a period of the nation's greatest necessity. . . .

Wise men know also that the labor movement has greatly increased its strength in recent years. At least two million men have been added to the ranks of organized labor in America during the war. A million have been organized on the railways alone, and more than a million have been added to the unions affiliated with the American Federation of Labor in other branches of industry. American labor is more conscious than ever before of its power and of its rights. It will demand the abolition of age-old injustices. Labor has been in the harness for untold centuries. The harness has become heavy and galling, but labor does not now ask that the harness be lightened or that the share of oats and hay be enlarged. Labor now demands the right to climb into the driver's seat and help control the machinery which draws the lumbering chariot of modern industry.

Arthur Henderson: The Aims of Labor * (pp. 67-71;
88)

Revolution is a word of evil omen. It calls up a vision of barricades in the street and blood in the gutters. No responsible person, however determined he or she may be to effect a complete transformation of society, can contemplate such a possibility without horror. It is impossible to say what the future holds, but many of us believe that mankind is so weary of violence and bloodshed that if the coming social revolution necessarily involved armed insurrection it would find no general sanction. To the British people in particular the prospect of a period of convulsive effort of this char-

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acter is wholly without appeal. Revolution in this sense is alien to the British character. Only in the last resort and as a final desperate expedient have the people of this country consented to employ force to attain their ends. There have been times, of course, when ~~the~~ active opposition or dead inertia of the ruling classes have not been overcome until the people have shown that they were bent on obtaining their ends even at the cost of bloodshed. These occasions have not been numerous. They have been more in the nature of spontaneous popular uprisings than of deliberately planned insurrections. The British people have no aptitude for conspiracy. They are capable of vigorous action, of persistent and steady agitation year in and year out, of stubborn and resolute pressure against which nothing can stand; they have their moods of anger which may find expression in sporadic revolts: but they do not organize revolutions or plot the seizure of power by a sudden *coup d'état*. The growth of political democracy among us has been marked by few violent crises. Successive extensions of the franchise have been won mainly by agitations of a peaceful kind, accompanied in only a few cases by rioting, and organized revolution in the continental sense, for political or social ends, has been exceedingly rare in our history.

It would be idle, however, to deny that the temper of democracy after the war will not be so placable as it has hitherto been. Whether we like it or fear it, we have to recognize that in the course of the last three and a half years people have become habituated to thoughts of violence. They have seen force employed on an unprecedented scale as an instrument of policy. Unless we are very careful these ideas will rule the thoughts of masses of the people in the post-war period of reconstruction. The idea that by forceful methods the organized democracy can find a short cut to the attainment of its aims will have its attractions for men of unstable temperament, impatient of the inevitable setbacks which we are bound to encounter if we work along constitutional lines. Let that idea stand unchallenged by the leaders of democracy, and we shall be faced with graver perils than any that have confronted us in past times. Never before have we had such vast numbers of the population skilled in the use of arms, disciplined, inured to danger, accustomed to act together under orders. When the war ends this country and every other will be flooded with hardy veterans of the great campaigns. Among them will be thousands of men who have exercised authority over their fellows in actual warfare, and who will be capable of assuming leadership again if insurrectionary movements come into existence. We may be warned by a perception of these facts that if barricades are

indeed likely to be erected in our streets they will be manned by men who have learned how to fight and not by ill-disciplined mobs unversed in the use of modern weapons, likely to be easily overcome by trained troops. Revolution, if revolution is indeed to be forced upon democracy, will be veritable civil war.

The prospect of social convulsions on this scale is enough to appall the stoutest heart. Yet this is the alternative that unmistakably confronts us, if we turn aside from the path of ordered social change by constitutional methods. . . . By peaceable methods, or by direct assault, society is going to be brought under democratic control. And the choice of method does not primarily rest with democracy: it lies rather with the classes who own the machinery of production and control the machinery of the State to decide whether necessary changes are to be peaceably introduced on the basis of willing cooperation, or resisted to the last ditch. . . .

The outstanding fact of world politics at the present time—and when peace comes this fact will be made still more clear—is that a great tide of revolutionary feeling is rising in every country. Everywhere the peoples are becoming conscious of power. They are beginning to sit in judgment upon their rulers.

*J. A. Hobson: Democracy After the War** (pp. 53; 210-212)

We have already recognized that these "rights" of property comprise many "wrongs," and that in every advanced industrial nation more and more vigorous popular movements are directed to the redress of these wrongs. In this country, as in others, these movements of political, social and economic reform are recognized by the ruling and possessing classes as attacks on property. The classes everywhere prepare defenses. The nature of these defenses is determined by the attack. Now, in most countries the attack upon impropriety is an integral factor in every form of the democratic movement. Reforms in land tenure and in housing, in taxation and rating, most factory and other industrial laws, much hygienic, temperance and moral legislation, involve frontal attacks on some form of impropriety. Other popular demands for education, recreation, insurance, pensions, etc., requiring large outlays of public money, are resented as burdens on property. The labor movement, alike on its economic and its political side, is chiefly directed to the redress of grievances or the assertion of claims obnoxious to the interests of the propertied classes. Even those movements

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not directly economic in their aim and method, such as those for extension of the franchise and other improvements of electoral and governmental machinery, are largely actuated by the express or implied desire to use for economic purposes the enlarged powers of popular self-government. In all these ways the democratic movement is hostile to property. . . .

A powerful fund of genuine democratic feeling will be liberated with the peace. The temper of the peoples, released from the tension of war, will be irritable and suspicious, and this irritability and suspicion, copiously fed by stories of governmental incompetence and capitalistic greed in the conduct of the war, and sharpened by personal sacrifices and privations, will be dangerous for governments. The contrast between the liberties for which they were fighting and the new restraints to which they are subjected will be disconcerting and instructive. Every trade and every locality will have its special difficulties and grievances. Economic and financial troubles will everywhere break up the artificial unity of war-time, and the grave political cleavages that must display themselves when the issues of taxation, permanent conscription, State ownership of industries, imperial federation and international relations open out, will, by breaking the old molds of party, set free large volumes of political energy for new experiments in political and economic reconstruction. Many of the old taboos of class prestige, sex distinction, sanctity of property, and settled modes of living and thinking, will be broken for large sections of the population. The returning armies will carry back into their homes and industries powerful reactions against militarism and will not be disposed to take lying down the attempt of the reactionists to incorporate it as a fixed institution in the State. In every country of Europe popular discontent will be seething and suspicious against rulers gathering. In other words, all the factors of violent or pacific revolution will exist in conscious activity. The raw material and energy of a great democratic movement will be at hand, provided that thought, organization and direction can make them effective. Hitherto for our working, as indeed for our other classes, clear thinking has been an intolerable burden. But there is no congenital racial incapacity for thinking, if the emergency is adequate, and, for the workers at any rate, it should be adequate. For they will be confronted with the now plain alternative of a firmly entrenched class supremacy in politics, industry and every other social institution, and the necessity of popular organization for the control of the government in order that they may recover their lost liberties and establish and extend the principles of political and social self-government.

FORCES OF DISTURBANCE

H. M. Kallen: The Structure of Lasting Peace * (pp. 116-117)

* Organizing lasting peace is only making deeper, wider and more thoroughgoing application of the irreducible principles which are the trite and living foundations of any and all community life. They have been known and repeated since the days of Isaiah and of Plato. They are basic assumptions of this book; only the language that expresses them has altered, not they. In toto, they come to some such thing as this: Men live in families, herds or groups of varying inheritance, character and organization. To survive and to grow, they stand in need of food, clothing, shelter and freedom for the free play of their spontaneous energies. These they obtain by mastering the non-human natural environment in which they live, by tilling and mining the soil, harnessing the winds and the waters, domesticating and hunting the animals, learning to know and to control the hidden laws and forces of nature. The tools whereby they win to such competence as is possible to them are the religions, sciences and arts which taken together compose the institutions of civilizations. Now what they cannot in fact master or in fact use, they seek to own. Ownership consists, in the vast majority of cases, in a restraint upon your fellow from using what you cannot use yourself. Thus, no matter where or what the group may be or how it starts, within it, the tools and materials of life are or become in a short time the private possession of a few peoples and of a few individuals among those peoples. Within nations this situation constitutes the injustices and inequalities of classes and masses, rich and poor, patricians and plebs. Between nations it constitutes the injustices of empires and hegemonies.

A very extensive phase of history then becomes the attempt of the expropriated to recover a control over the necessities of life, a chance for freedom, and a hope for happiness.

Frederick J. Teggart: The Processes of History †
(pp. 148-52, 156-62)

Investigation in different fields of the study of man has led many contemporary scholars—Petrie, Haddon, Rivers, Mackinder, Ho-

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garth, Myres, Temple, Balfour, Smith, Hall, Jastrow, Sollas, to mention but a few—to observe that human advancement has followed upon the collision of different groups. Pieced together, the conclusions arrived at so far may be summarized in the statement that definite advance has taken place in the past when a group, forced from its habitat, ultimately by a change in climate, has been brought into collision with another differing from it considerably in culture, and has remained upon the invaded territory. It is probable that this statement as a whole would not receive unquestioned support from all those who have contributed to it in part; on the other hand, it is to be understood that the palæontologist, geographer, anthropologist, archæologist, or historian, as the case may be, has arrived at his conclusion, one may say, incidentally, and has not turned aside from the matter in hand to give this generalization independent consideration. Thus in any given instance it might be sufficient to say that “the dispossession by a newcomer of a race already in occupation of the soil has marked an upward step in the intellectual progress of mankind,” without pursuing the question further. As a consequence, the conclusions, even in the consolidated form here given, have not been carried to a point at which they might constitute an hypothesis explanatory of human advancement.

Indeed, it is only when we take a further step, and come to ask how conceivably usurpation of territory, or war, or admixture of peoples could affect intellectual advancement, that the underlying problem is brought to light. It cannot well be assumed that either the intermarriage of different stocks or the struggle of battle will of itself bring about this result; and while it is said that “if you would change a man’s opinions—transplant him,” it does not follow that the change will be effected by the scenery. In short, the “change” that leads to advancement is mental. What, then, is of importance to notice is that when enforced migration is followed by collision, and this by the alien occupation of territory, there ensues as a result of the conflict the breaking down or subversion of the established idea-systems of the groups involved in the struggle. The breakdown of the old and unquestioned system of ideas, though it may be felt as a public calamity and a personal loss, accomplishes the release of the individual mind from the set forms in which it has been drilled, and leaves men opportunity to build up a system for themselves anew. This new idea-system will certainly contain old elements, but it will not be like the old, for the consolidated group, confronted with conflicting bodies of knowledge, of observations, and of interpretations, will experience a critical awakening, and open wondering eyes upon a new world. Thus it is not the

physical contact of men that is of supreme importance in human advancement, but the overthrow of the dominance of the traditional system in which the individuals composing the group have been trained, and which they have unconditionally accepted; though advancement seems rarely to have been possible, in the past, save when diverse groups have been set face to face in desperate struggle.

Here, then, is a process which differs essentially from those previously described, for it is manifested only when some exterior disturbance or shock has, for the time being, weakened or overcome the influence or effect of the previously described processes; when manifested, however, this process is the same in all cases. The hypothesis required may now be stated in the form that human advancement follows upon the mental release, of the members of a group or of a single individual, from the authority of an established system of ideas. This release has, in the past, been occasioned through the breaking down of previous idea-systems by prolonged struggles between opposing groups which have been brought into conflict as a result of the involuntary movements of peoples. What follows is the building up of a new idea-system, which is not a simple cumulation of the knowledge previously accepted, but the product of critical activity stirred by the perception of conflicting elements in the opposed idea-systems.

In reality, there is nothing abstruse about the processes involved, for, primarily, as S. A. Cook has pointed out, we hold ideas simply because nothing has occurred to disturb them; the fact is, in the words of Sir Oliver Lodge, that unless we encounter flaw or jar or change, nothing in us responds. So Bateson, seeking for an alternative to the method of Darwin, has proposed to "consider how far we can get by the process of removal of what we may call 'epistatic' factors, in other words those that control, mask, or suppress underlying powers and faculties." "I have confidence," he says in the course of this inquiry, "that the artistic gifts of mankind will prove to be due not to something added to the make-up of an ordinary man, but to the absence of factors which in the ordinary person inhibit the development of those gifts. They are almost beyond doubt to be looked upon as *releases* of powers normally suppressed." It is, however, in the later writings of William James that the subject receives fullest consideration. Reviewing Herbert Spencer's *Autobiography*, he says, "Mr. Spencer himself is a great social force. The effects he exerts are of the nature of *releases*—his words pull triggers in certain kinds of brain." "In biology, psychology, and sociology," he continues, "the forces concerned are almost exclusively forces of release." Furthermore, at this point one might well incorporate entire his remarkable essay

on "The Energies of Men." In this he points out that "as a rule men habitually use only a small part of the powers which they actually possess and which they might use under appropriate conditions." "We are all," he says, "to some degree oppressed, unfree. We don't come to our own. It is there, but we don't get at it." The inhibition is due to the influence of convention, and he remarks that "an intellect thus tied down by literality and decorum makes on one the same sort of impression that an able-bodied man would who should habituate himself to do his work with only one of his fingers, locking up the rest of his organism and leaving it unused." To what, then, he asks, do men owe their escape? and to what are improvements due, when they occur? In general terms, he says, the answer is plain: "Excitements, ideas, and efforts are what carry us over the dam." Ideas, in particular, he regards as notable stimuli for unlocking what would otherwise be unused reservoirs of individual initiative and energy. This effectiveness he ascribes to the fact, first, that ideas contradict other ideas and thus arouse critical activity, and, second, that the new ideas which emerge as a result of this conflict unify us on a new plane and bring to us a significant enlargement of individual power. Thus, in complete unconsciousness of the historical aspect of the subject, James has described, from the point of view of the individual, what proves to be the essential element in the process through which human advancement has everywhere been made. . . .

Finally, the method herein described brings the study of History into direct relation with the problems of life. I have indicated that, throughout the past, human advancement has, to a marked degree, been dependent upon war. From this circumstance, many investigators have inferred that war is, in itself, a blessing—however greatly disguised. We may see, however, that this judgment is based upon observations which have not been pressed far enough to elicit a scientific explanation. War has been, times without number, the antecedent of advance, but in other cases, such as the introduction of Buddhism into China, the same result has followed upon the acceptance of new ideas without the introductory formality of bitter strife. As long, indeed, as we continue to hold tenaciously to customary ideas and ways of doing things, so long must we live in anticipation of the conflict which this persistence must inevitably induce.

It requires no lengthy exposition to demonstrate that the ideas which lead to strife, civil or international, are not the products of the highest knowledge available, are not the verified results of scien-

tific inquiry, but are "opinions" about matters which, at the moment, we do not fully understand. Among modern peoples, the most important of these opinions are concerned with the ordering of human affairs; and in this area all our "settlements" of the problems which confront us must continue to be temporary and uncertain compromises until we shall have come to apply the method of science in their solution. Science is not a body of beliefs and opinions, ~~but~~ is a way or method of dealing with problems. It has been said by a notable contemporary that men begin the search for truth with fancy, after that they argue, and at length they try to find out. Scientific method is the term we use for the orderly and systematic effort to find out. Hitherto, the most serious affairs of men have been decided upon the basis of argumentation, carried, not infrequently, to the utmost limits of destruction and death. It should be possible to apply in this domain the method of finding out, and it has been my hope to contribute, in however tentative a manner, to this end.

- **II. POTENTIALITIES OF PRODUCTION**

I. SABOTAGE

*Thorstein Veblen: On the Nature and Uses of
Sabotage* *
(pp. 341-346)

THE word [sabotage] first came into use among the organized French workmen, the members of certain *syndicats*, to describe their tactics of passive resistance, and it has continued to be associated with the strategy of these French workmen, who are known as syndicalists, and with their like-minded running-mates in other countries. But the tactics of these syndicalists, and their use of sabotage, do not differ, except in detail, from the tactics of other workmen elsewhere, or from the similar tactics of friction, obstruction, and delay habitually employed, from time to time, by both employees and employers to enforce an argument about wages and prices. Therefore, in the course of a quarter-century past, the word has quite unavoidably taken on a general meaning in common speech, and has been extended to cover all such peaceable or surreptitious maneuvers of delay, obstruction, friction, and defeat, whether employed by the workmen to enforce their claims, or by the employers to defeat their employees, or by competitive business concerns to get the better of their business rivals or to secure their own advantage.

Such maneuvers of restriction, delay, and hindrance have a large share in the ordinary conduct of business; but it is only lately that this ordinary line of business strategy has come to be recognized as being substantially of the same nature as the ordinary tactics of the syndicalists. So that it has not been usual until the last few years to speak of maneuvers of this kind as sabotage when they are employed by employers and other business concerns. But all this strategy of delay, restriction, hindrance, and defeat is manifestly of the same character, and should conveniently be called by the same name, whether it is carried on by business men or by workmen; so that it is no longer unusual now to find workmen speaking of "capitalistic sabotage" as freely as the employers and the newspapers speak of syndicalist sabotage. As the word is now used, and as it is properly used, it describes a certain system of

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industrial strategy or management, whether it is employed by one or another. What it describes is a resort to peaceable or surreptitious restriction, delay, withdrawal, or obstruction.

Sabotage commonly works within the law, although it may often be within the letter rather than the spirit of the law. It is used to secure some special advantage or preference, usually of a businesslike sort. It commonly has to do with something in the nature of a vested right, which one or another of the parties in the case aims to secure or defend, or to defeat or diminish; some preferential right or special advantage in respect of income or privilege, something in the way of a vested interest. Workmen have resorted to such measures to secure improved conditions of work, or increased wages, or shorter hours, or to maintain their habitual standards, to all of which they have claimed to have some sort of a vested right. Any strike is of the nature of sabotage, of course. Indeed, a strike is a typical species of sabotage. That strikes have not been spoken of as sabotage is due to the accidental fact that strikes were in use before this word came into use. So also, of course, a lockout is another typical species of sabotage. That the lockout is employed by the employers against the employees does not change the fact that it is a means of defending a vested right by delay, withdrawal, defeat, and obstruction of the work to be done. Lockouts have not usually been spoken of as sabotage, for the same reason that holds true in the case of strikes. All the while it has been recognized that strikes and lockouts are of identically the same character.

All this does not imply that there is anything discreditable or immoral about this habitual use of strikes and lockouts. They are part of the ordinary conduct of industry under the existing system, and necessarily so. So long as the system remains unchanged these measures are a necessary and legitimate part of it. By virtue of his ownership the owner-employer has a vested right to do as he will with his own property, to deal or not to deal with any person that offers, to withhold or withdraw any part or all of his industrial equipment and natural resources from active use for the time being, to run on half time or to shut down his plant and to lock out all those persons for whom he has no present use on his own premises. There is no question that the lockout is altogether a legitimate maneuver. It may even be meritorious, and it is frequently considered to be meritorious when its use helps to maintain sound conditions in business—that is to say, profitable conditions, as frequently happens. Such is the view of the substantial citizens. So also is the strike legitimate, so long as it keeps within the law; and it may at times even be meritorious, at least in the eyes of the strikers. It is to be admitted quite broadly that both of these typical species of

sabotage are altogether fair and honest in principle, although it does not therefore follow that every strike or every lockout is necessarily fair and honest in its working-out. That is in some degree a question of special circumstances.

Sabotage, accordingly, is not to be condemned out of hand, simply as such. There are many measures of policy and management both in private business and in public administration which are unmistakably of the nature of sabotage and which are not only considered to be excusable, but are deliberately sanctioned by statute and common law and by the public conscience. Many such measures are quite of the essence of the case under the established system of law and order, price and business, and are faithfully believed to be indispensable to the common good. It should not be difficult to show that the common welfare in any community which is organized on the price system cannot be maintained without a salutary use of sabotage—that is to say, such habitual recourse to delay and obstruction of industry and such restriction of output as will maintain prices at a reasonably profitable level and so guard against business depression. Indeed, it is precisely considerations of this nature that are now engaging the best attention of officials and business men in their endeavors to tide over a threatening depression in American business and a consequent season of hardship for all those persons whose main dependence is free income from investments.

Without some salutary restraint in the way of sabotage on the productive use of the available industrial plant and workmen, it is altogether unlikely that prices could be maintained at a reasonably profitable figure for any appreciable time. A businesslike control of the rate and volume of output is indispensable for keeping up a profitable market, and a profitable market is the first and unremitting condition of prosperity in any community whose industry is owned and managed by business men. And the ways and means of this necessary control of the output of industry are always and necessarily something in the nature of sabotage—something in the way of retardation, restriction, withdrawal, unemployment of plant and workmen—whereby production is kept short of productive capacity.* The mechanical industry of the new order is inordinately productive. So the rate and volume of output have to be regulated with a view to what the traffic will bear—that is to say, what will yield the largest net return in terms of price to the business men in charge of the country's industrial system. Otherwise there will be "overproduction," business depression, and consequent hard times all round. Overproduction means production in excess of what the market will carry off at a sufficiently profitable price. So it appears

that the continued prosperity of the country from day to day hangs on a "conscientious withdrawal of efficiency" by the business men who control the country's industrial output. They control it all for their own use, of course, and their own use means always a profitable price.

In any community that is organized on the price system, with investment and business enterprise, habitual unemployment, of the available industrial plant and workmen, in whole or in part, appears to be the indispensable condition without which tolerable conditions of life cannot be maintained. That is to say, in no such community can the industrial system be allowed to work at full capacity for any appreciable interval of time, on pain of business stagnation and consequent privation for all classes and conditions of men. The requirements of profitable business will not tolerate it. So the rate and volume of output must be adjusted to the needs of the market, not to the working capacity of the available resources, equipment and man power, nor to the community's need of consumable goods. Therefore there must always be a certain variable margin of unemployment of plant and man power. Rate and volume of output can, of course, not be adjusted by exceeding the productive capacity of the industrial system. So it has to be regulated by keeping short of maximum production by more or less, as the condition of the market may require. It is always a question of more or less unemployment of plant and man power, and a shrewd moderation in the unemployment of these available resources, a "conscientious withdrawal of efficiency," therefore, is the beginning of wisdom in all sound workday business enterprise that has to do with industry.

All this is matter of course and notorious. But it is not a topic on which one prefers to dwell. Writers and speakers who dilate on the meritorious exploits of the nation's business men will not commonly allude to this voluminous running administration of sabotage, this conscientious withdrawal of efficiency, that goes into their ordinary day's work. One prefers to dwell on those exceptional, sporadic, and spectacular episodes in business where business men have now and again successfully gone out of the safe and sane highway of conservative business enterprise that is hedged about with a conscientious withdrawal of efficiency, and have endeavored to regulate the output by increasing the productive capacity of the industrial system at one point or another.

But after all, such habitual recourse to peaceable or surreptitious measures of restraint, delay, and obstruction in the ordinary businesslike management of industry is too widely known and too well approved to call for much exposition or illustration. Yet, as one

capital illustration of the scope and force of such businesslike withdrawal of efficiency, it may be in place to recall that all the civilized nations are just now undergoing an experiment in businesslike sabotage on an unexampled scale and carried out with unexampled effrontery. All these nations that have come through the war, whether as belligerents or as neutrals, have come into a state of more or less pronounced distress, due to a scarcity of the common necessities of life; and this distress falls, of course, chiefly on the common sort, who have at the same time borne the chief burden of the war which has brought them to this state of distress. The common man has won the war and lost his livelihood. This need not be said by way of praise or blame. As it stands it is, broadly, an objective statement of fact, which may need some slight qualification, such as broad statements of fact will commonly need. All these nations that have come through the war, and more particularly the common run of their populations, are very much in need of all sorts of supplies for daily use, both for immediate consumption and for productive use. So much so that the prevailing state of distress rises in many places to an altogether unwholesome pitch of privation, for want of the necessary food, clothing, and fuel. Yet in all these countries the staple industries are slowing down. There is an ever increasing withdrawal of efficiency. The industrial plant is increasingly running idle or half idle, running increasingly short of its productive capacity. Workmen are being laid off and an increasing number of those workmen who have been serving in the armies are going idle for want of work, at the same time that the troops which are no longer needed in the service are being demobilized as slowly as popular sentiment will tolerate, apparently for fear that the number of unemployed workmen in the country may presently increase to such proportions as to bring on a catastrophe. And all the while all these peoples are in great need of all sorts of goods and services which these idle plants and idle workmen are fit to produce. But for reasons of business expediency it is impossible to let these idle plants and idle workmen go to work—that is to say for reasons of insufficient profit to the business men interested, or in other words, for reasons of insufficient income to the vested interests which control the staple industries and so regulate the output of product. The traffic will not bear so large a production of goods as the community needs for current consumption, because it is considered doubtful whether so large a supply could be sold at prices that would yield a reasonable profit on the investment—or rather on the capitalization; that is to say, it is considered doubtful whether an increased production, such as to employ more workmen and supply the goods needed by the community,

would result in an increased net aggregate income for the vested interests which control these industries. A reasonable profit always means, in effect, the largest obtainable profit.

All this is simple and obvious, and it should scarcely need explicit statement. It is for these business men to manage the country's industry, of course, and therefore to regulate the rate and volume of output; and also of course any regulation of the output by them will be made with a view to the needs of business; that is to say, with a view to the largest obtainable net profit, not with a view to the physical needs of these peoples who have come through the war and have made the world safe for the business of the vested interests. Should the business men in charge, by any chance aberration, stray from this straight and narrow path of business integrity, and allow the community's needs unduly to influence their management of the community's industry, they would presently find themselves discredited and would probably face insolvency. Their only salvation is a conscientious withdrawal of efficiency. All this lies in the nature of the case. It is the working of the price system, whose creatures and agents these business men are. Their case is rather pathetic, as indeed they admit quite volubly. They are not in a position to manage with a free hand, the reason being that they have in the past, under the routine requirements of the price system as it takes effect in corporation finance, taken on so large an overhead burden of fixed charges that any appreciable decrease in the net earnings of the business will bring any well managed concern of this class face to face with bankruptcy.

At the present conjuncture, brought on by the war and its termination, the case stands somewhat in this typical shape. In the recent past earnings have been large; these large earnings (free income) have been capitalized; their capitalized value has been added to the corporate capital and covered with securities bearing a fixed income-charge; this income-charge, representing free income, has thereby become a liability on the earnings of the corporation; this liability cannot be met in case the concern's net aggregate earnings fall off in any degree; therefore prices must be kept up to such a figure as will bring the largest net aggregate return, and the only means of keeping up prices is a conscientious withdrawal of efficiency in these staple industries on which the community depends for a supply of the necessities of life.

The business community has hopes of tiding things over by this means, but it is still a point in doubt whether the present unexampled large use of sabotage in the businesslike management of the staple industries will now suffice to bring the business community through this grave crisis without a disastrous shrinkage of its

capitalization, and a consequent liquidation; but the point is not in doubt that the physical salvation of these peoples who have come through the war must in any case wait on the pecuniary salvation of these owners of corporate securities which represent free income. It is a sufficiently difficult passage. It appears that production must be curtailed in the staple industries, on pain of unprofitable prices. The case is not so desperate in those industries which have immediately to do with the production of superfluities; but even these, which depend chiefly on the custom of those kept classes to whom the free income goes, are not feeling altogether secure. For the good of business it is necessary to curtail production of the means of life, on pain of unprofitable prices, at the same time that the increasing need of all sorts of the necessities of life must be met in some passable fashion, on pain of such popular disturbances as will always come of popular distress when it passes the limit of tolerance.

Those wise business men who are charged with administering the salutary modicum of sabotage at this grave juncture may conceivably be faced with a dubious choice between a distasteful curtailment of the free income that goes to the vested interests, on the one hand, and an unmanageable onset of popular discontent on the other hand. And in either alternative lies disaster. Present indications would seem to say that their choice will fall out according to ancient habit, that they will be likely to hold fast by an undiminished free income for the vested interests at the possible cost of any popular discontent that may be in prospect—and then, with the help of the courts and the military arm, presently make reasonable terms with any popular discontent that may arise. In which event it should all occasion no surprise or resentment, inasmuch as it would be nothing unusual or irregular and would presumably be the most expeditious way of reaching a *modus vivendi*. During the past few weeks, too, quite an unusually large number of machine guns have been sold to industrial business concerns of the larger sort, here and there; at least so they say. Business enterprise being the palladium of the Republic, it is right to take any necessary measures for its safeguarding. Price is of the essence of the case, whereas livelihood is not.

The grave emergency that has arisen out of the war and its provisional conclusion is, after all, nothing exceptional except in magnitude and severity. In substance it is the same sort of thing that goes on continually but unobtrusively and as a matter of course in ordinary times of business as usual. It is only that the extremity of the case is calling attention to itself. At the same time it serves impressively to enforce the broad proposition that a conscientious

withdrawal of efficiency is the beginning of wisdom in all established business enterprise that has to do with industrial production. But it has been found that this grave interest which the vested interests always have in a salutary retardation of industry at one point or another cannot well be left altogether to the haphazard and ill-coordinated efforts of individual business concerns, each taking care of its own particular line of sabotage within its own premises. The needed sabotage can best be administered on a comprehensive plan and by a central authority, since the country's industry is of the nature of a comprehensive interlocking system, whereas the business concerns which are called on to control the motions of this industrial system will necessarily work piece-meal, in severalty and at cross-purposes. In effect, their working at cross-purposes results in a sufficiently large aggregate retardation of industry, of course, but the resulting retardation is necessarily somewhat blindly apportioned and does not converge to a neat and perspicuous outcome. Even a reasonable amount of collusion among the interested business concerns will not by itself suffice to carry on that comprehensive moving equilibrium of sabotage that is required to preserve the business community from recurrent collapse or stagnation, or to bring the nation's traffic into line with the general needs of the vested interests.

Where the national government is charged with the general care of the country's business interests, as is invariably the case among the civilized nations, it follows from the nature of the case that the nation's lawgivers and administration will have some share in administering that necessary modicum of sabotage that must always go into the day's work of carrying on industry by business methods and for business purposes. The government is in a position to penalize excessive or unwholesome traffic. So, it is always considered necessary, or at least expedient, by all sound mercantilists to impose and maintain a certain balance or proportion among the several branches of industry and trade that go to make up the nation's industrial system. The purpose commonly urged for measures of this class is the fuller utilization of the nation's industrial resources in material, equipment, and man power; the invariable effect is a lowered efficiency and a wasteful use of these resources, together with an increase of international jealousy. But measures of that kind are thought to be expedient by the mercantilists for these purposes—that is to say, by the statesmen of these civilized nations, for the purposes of the vested interests. The chief and nearly sole means of maintaining such a fabricated balance and proportion among the nation's industries is to obstruct the traffic at some critical point by prohibiting or penalizing any exuberant undesirables

among these branches of industry. Disallowance, in whole or in part, is the usual and standard method.

The great standing illustration of sabotage administered by the government is the protective tariff, of course. It protects certain special interests by obstructing competition from beyond the frontier. This is the main use of a national boundary. The effect of the tariff is to keep the supply of goods down and thereby keep the price up, and so to bring reasonably satisfactory dividends to those special interests which deal in the protected articles of trade, at the cost of the underlying community. A protective tariff is a typical conspiracy in restraint of trade. It brings a relatively small, though absolutely large, run of free income to the special interests which benefit by it, at a relatively, and absolutely, large cost to the underlying community, and so it gives rise to a body of vested rights and intangible assets belonging to these special interests.

Of a similar character, in so far that in effect they are in the nature of sabotage—conscientious withdrawal of efficiency—are all manner of excise and revenue-stamp regulations; although they are not always designed for that purpose. Such would be, for instance, the partial or complete prohibition of alcoholic beverages, the regulation of the trade in tobacco, opium, and other deleterious narcotics, drugs, poisons, and high explosives. Of the same nature, in effect if not in intention, are such regulations as the oleomargarine law; as also the unnecessarily costly and vexatious routine of inspection imposed on the production of industrial (denatured) alcohol, which has inured to the benefit of certain business concerns that are interested in other fuels for use in internal-combustion engines; so also the singularly vexatious and elaborately imbecile specifications that limit and discourage the use of the parcel post, for the benefit of the express companies and other carriers which have a vested interest in traffic of that kind.

It is worth noting in the same connection, although it comes in from the other side of the case, that ever since the express companies have been taken over by the federal administration there has visibly gone into effect a comprehensive system of vexation and delay in the detail conduct of their traffic, so contrived as to discredit federal control of this traffic and thereby provoke a popular sentiment in favor of its early return to private control. Much the same state of things has been in evidence in the railway traffic under similar conditions. Sabotage is serviceable as a deterrent, whether in furtherance of the administration work or in contravention of it.

In what has just been said there is, of course, no intention to find fault with any of these uses of sabotage. It is not a question

of morals and good intentions. It is always to be presumed as a matter of course that the guiding spirit in all such governmental moves to regularize the nation's affairs, whether by restraint or by incitement, is a wise solicitude for the nation's enduring gain and security. All that can be said here is that many of these wise measures of restraint and incitement are in the nature of sabotage, and that in effect they habitually, though not invariably, inure to the benefit of certain vested interests—ordinarily vested interests which bulk large in the ownership and control of the nation's resources. That these measures are quite legitimate and presumably salutary, therefore, goes without saying. In effect they are measures for hindering traffic and industry at one point or another, which may often be a wise precaution.

*Survey of 4400 Industrial Establishments, National Association of Manufacturers**

A post-armistice trade conditions survey just completed among the 4400 industrial establishments comprising the membership of the National Association of Manufacturers shows that with the exception of 5 out of 22 principal groups of industries throughout the United States, business activity is approximately between 25 and 50 per cent of normal.

The five divisions of industry reporting a predominating condition of present business prosperity are the jewelry and silverware, musical instruments and vehicle groups (the last mentioned including automobile manufacture), rubber and tobacco.

Sixteen out of the remaining 17 groups shown in the classification of industries reported general unsatisfactory business conditions, below 50 per cent of normal. The exception, namely, leather and manufactures, reported business about evenly divided as between fair and good.

Analysis of the reports received from manufacturers by geographical districts fails to indicate any considerable business activity in districts other than those largely devoted to manufacturing jewelry (around Providence, R. I., or Attleboro, Mass.), and a few sections (such as Detroit), where automobile manufacturing plants are situated.

Factors Impeding Business Progress

In the general order of importance the following factors are

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stated to be the chief obstacles now prevailing to prevent general business activity:

- (1) Delay in signing the treaty of peace.
- (2) General high costs of labor and materials.
- (3) Sudden cessation of war buying operations by the United States and foreign governments.
- (4) Hand-to-mouth buying by jobbers, retailers and consumers awaiting expected price reductions.
- (5) Continued Government control, management and operation of railroads, etc.
- (6) Sudden imposition of heavy war revenue tax burdens on industry.
- (7) Labor unrest, agitation and industrial strife.
- (8) High prices of wheat due to Government guarantee.
- (9) Unemployment and poor distribution of labor forces released from military or naval service.
- (10) Delay in settlement by Federal Government of claims for payment under informal war contracts.
- (11) Partial shutting off of important European markets due to import trade embargoes by Great Britain, France and Italy.

*Meyer Bloomfield: Management and Men**
(pp. 62-64-65)

There is not a more respected employer in all England than Mr. W. L. Hichens, whose various interests embrace a pay roll of thirty-five thousand employees. I asked him for his views as to the output question and how labor and management were going to meet it. . .

"I feel convinced that the production of this country can be largely increased because I believe that it is still in us to make a much bigger effort than we have hitherto. Before the war, the output per workingman in the United States was two and a half times as great as the output per workingman in this country. Of course, statistics are always open to suspicion, and that figure is open to several qualifications in particular, because in the United States you have far more labor-saving devices than we have in this country. The fault of that, I am free to confess, lies very largely with the employers at home, who have not taken the trouble, in a great many cases, to find out what the latest and most efficient labor-saving devices were, because they felt that they could rely on a comparatively cheap labor supply.

"It may be surprising to say that even now some restriction of output should exist, but the reason is not really far to seek. The

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fact of the matter is that we have been unable in this respect to shake clear altogether of our pre-war ideas, and we have been unable to adopt the new angle of vision which we have adopted in other cases. Restriction of output, as everybody knows, is a weapon in the fight between labor and capital. There is no real object in restricting output in the hope that the employer will be deluded into the belief that it is impossible to produce an increased amount of work. Moreover, I think one can easily show that restriction of output is a bad plan anyhow, because it is only by increasing output that one can increase wages. After all, one can only pay wages out of production, and if production is reduced the obvious thing is that wages will in the long run have to be reduced too. Labor agrees that it ought to have a larger part of the profit that now goes to capital. But the difficulty is that after allowing a reasonable margin of profit for capital the balance at the best of times would not go very far in improving the position of labor. It would not enable very much bigger wages to be paid than are paid to-day. The only way really to pay considerably higher wages is to increase substantially the production of the country.

"I think that if these points are clearly and dispassionately argued it will be difficult for labor to deny their justice and truth; but at the same time they will, I believe, carry very little conviction to the mind of the workingman, because he will feel—and, in my opinion, quite rightly—that the statement is far too one-sided to be at all convincing to him. He will say: 'Our difficulty is that, supposing we are to increase production very considerably, what guaranty have we got that that increase will go to us and not all be appropriated by capital?' The real grievance that labor feels is that capital has in the past taken more than its fair share of the good things of this world, and I think if one looks at the matter broadly one must admit that there is a good deal of truth in this contention. One has to remember that this country is a democracy and that in a democracy it is necessary for all the members to get together for the problems that they have to decide. This is one of the biggest problems that calls for decision, and it is imperative that we should have mature thought jointly in order that we may come to a right conclusion."

Final Report of Federal Commission on Industrial Relations, 1915 (p. 34)

A careful analysis of all available statistics shows that in our great basic industries the workers are unemployed for an average of

at least one-fifth of the year, and that at all times during any normal year there is an army of men, who can be numbered only by hundreds of thousands, who are unable to find work or who have so far degenerated that they cannot or will not work. Can any nation boast of industrial efficiency when the workers, the source of her productive wealth, are employed to so small a fraction of their total capacity?

Fundamentally this unemployment seems to rise from two great causes, although many others are contributory. First, the inequality of the distribution of income, which leaves the great masses of the population (the true ultimate consumers) unable to purchase the products of industry which they create, while a few have such a superfluity that it can not be normally consumed but must be invested in new machinery for production, or in the further monopolization of land and natural resources.

The result is that in mining and other basic industries, we have an equipment in plant and developed property far in excess of the demands of any normal year, the excess being, in all probability, at least 25 per cent. Each of these mines and industrial plants keeps around it a labor force which, on the average, can get work for only four-fifths of the year, while at the same time the people have never had enough of the products of those very industries—have never been adequately fed, clothed, housed, nor warmed—for the very simple reason that they have never been paid enough to permit their purchase.

The second principal cause lies in the denial of access to land and natural resources even when they are unused and unproductive, except at a price and under conditions which are practically prohibitive.

*W. I. King: Wealth and Income of the People of the United States** (pp. 145-148, 151)

Over five times as large a supply of manufactured articles is now turned out for each person in the United States as was produced in 1850. The workers in industry have become more efficient, each one, on the average, producing more than two and a half times as much as in 1850. . . .

The figures given on page 439 of the Abstract of the United States Census for 1910 indicate the following investment per wage earner for the different census years.

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1850	\$557	1890	\$1,535
1860	770	1900	1,850
1870	825	1910	2,706
1880	1,021		

On page 27, the *United States Census Report of 1904 on Wealth, Debt, and Taxation* estimates the total value, in 1899, of railway property, street railways, canals, and ships at \$11,248,500,000 or approximately \$10,425 per employee, or more than five times the investment per employee in manufacturing. It is, therefore, not at all surprising that, with so much more expensive equipment, the product per man is about double what it is in manufacturing. . . . The last decade has witnessed a decided increase in the quantity of product per worker in the mines, while, in the other fields of activity, there has been only a slight change during the same period. The reasons for this are not clear but the probable cause is the decided improvements in mining methods brought about by the more general introduction of power machinery.

UNORGANIZED PRODUCTION

*David Friday: Production After the War**

There is evidence that we have increased our output of products from 25 to 30 per cent over the pre-war period through the complete utilization of our natural resources, our plant and machinery, and our labor. If production is allowed to return to the pre-war level output will slump off by 20 per cent. This would mean a corresponding waste of productive resources and a decrease of \$14,000,000,000 per annum in our National income as measured by the present price level; even if prices should fall 30 per cent. the decrease would still be approximately \$10,000,000,000. . . .

A decline of the high level that we have reached during the last two years will bring about a lowering of the standard of living which our laboring classes have attained during the war. . . .

Such a fall of output will mean a decline by half in the volume of annual savings which we have made during 1916, 1917 and 1918. . . .

Such a decline in production will further have as its concomitant a period of widespread unemployment. . . . It really does appeal to one's common sense as being preposterous that the laborer should be thoroughly employed at good wages and should therefore enjoy a high standard of living when the nation is wasting billions upon war, and should find it impossible to secure employment and maintain that standard when the waste of products has ceased. The present industrial order depends for productive activity upon individual initiative motivated by profit. If it is to endure, it must demonstrate its ability to prevent the consequences now threatening American industry. If it fails in this, then it seems reasonable that the great mass of laborers will demand a trial for a régime in which government shall again control and direct production as it did during the war to bring to its fullest realization our capacity for productive output. If our production does fall off by fourteen billion dollars and the laborer does make this demand, who shall say him nay?

It behooves those of us who believe that an order of private

* From the *Journal of Political Economy*, February, 1919. Reprinted by permission of the author and the University of Chicago Press.

property and individual initiative in industry is desirable, to ask ourselves what can be done, to conserve the lesson which the war has taught us concerning our productive ability. . . .

The fundamental fact that demand and production are interdependent and that therefore domestic demand is determined primarily by the state of domestic employment is the first great lesson to be grasped. The demand for goods will depend primarily upon the purchasing power of the masses, and the volume of production can be maintained only through the complete employment of labor. This means that the business men as a whole have in their hands the size and scope of the combined demand presented by the markets of the country. From the standpoint of national enterprise, the problem is, not so much how to capture the markets that exist at the end of the war, but rather how to keep the various markets coördinated in such a manner that the sellers in one group of markets will be steady buyers of the things which other markets offer. . . .

Our business men and legislators must be shown that the great mass of demand for American goods must come from American buyers and not from foreign trade. There is much misunderstanding on this point. There seems to be a general impression that with our huge added capacity we should have to add almost all the world's trade to our own for consumption to equal our present capacity. It seems to the American business man that unless we can capture a large part of the world's trade, our plants will have to lie idle. Unless his convictions on this point can be changed, the energies and thought that should go to solving the problems of the business cycle will be frittered away upon legislating and advertising campaigns which have for their chief end the corraling of the world's foreign trade. An elucidation of principles and a collection of facts that would succeed in turning the attention of American business men to the development of regulatory machinery for the control of the business cycle rather than the control of imports and exports would be the greatest attainment, industrial and financial, since the days of Alexander Hamilton's establishment of national credit. Our total exports of merchandise in 1913 were \$2,484,000,000. In 1917 they amounted to \$6,233,000,000. Our national production was \$35,000,000,000 in 1913, \$65,000,000,000 in 1917, and in 1918 it amounted to \$70,000,000,000. . . .

It seems that somewhere in the present industrial process there is a factor of retardation which is only occasionally cast out by such a holocaust as war. What is the secret of its casting out, even for the space of three years? If this secret can be discovered we may indulge the hope of institutionalizing it and adding per-

manently ten billion dollars to our annual national output. We could then realize the high standard of living of which reformers have dreamed, and could increase our national wealth at a rate equal to that of half the civilized world outside. The usual view of the matter is that business lags in normal times because of a failure of demand; that during the war there was an extraordinary demand, at first from the European governments and then from our own, in addition. It was this additional demand that moved entrepreneurs to produce to full capacity. Now that the war demand has fallen off it seems to most people obvious that production cannot go on at its former pace. "If it did, where would we find our market?" they ask. The fundamental fallacy lurking in this analysis has been commented upon in an earlier part of this paper. Production creates demand in ordinary times. It is an old maxim of political economy that wants are insatiable. This is still true, even in a country where the average of productive output is as high as our own. Not more than 10 per cent of the families of the United States have incomes of \$3,000 or more. With such a situation there is still an immense amount of unsatisfied demand which depends for its appearance in the actual market upon nothing more than the opportunity to work and produce. To say that production lags because demand is not forthcoming starts with the assumption that production has already lagged and so has reduced demand. The secret of the thing must be sought elsewhere. . . .

A more fundamental explanation is that low profits, or even ordinary profits, are not sufficient to tempt business men to high productive activity. Modern business is carried on for profit. When large profits are in prospect, therefore, production goes on at a feverish rate. It is doubtful whether this explanation of the matter is quite adequate. Most business men are perfectly willing to produce for low profits, especially when no opportunity presents itself to make high ones. The fundamental reason why production is retarded when only low profits are in sight is that a situation which yields small profits is one in which the prices of products and the prices of cost goods are close together. The risk that a fall in the former or a rise in the latter shall completely absorb the margin of profit is increased as these two sets of prices approach each other and is lessened as the margin between them widens. If the prices of the labor and material come to exceed the price of the product, the entrepreneur faces loss and ruin. During the last three years prices for products have risen at an enormous rate, and while it was certain that the price of cost goods would rise also, the margin between the two which the entrepreneur foresaw was so great

as to minimize his risk. In this situation he was willing to produce to the full capacity of his plant.

The factor that prevents a full realization of our productive capacities is this risk of loss. If it could be minimized or eliminated the nation could have a high level of productive output even with normal profits. It is pertinent, therefore, to inquire into the possibility of decreasing industrial risk through formal organization. Thus far the most successful institution which has been developed for the elimination of individual risk is the institution of insurance. In essence, this is a pooling of the particular risk involved. Houses burn; the building of the houses would, in the absence of insurance, be a venture fraught with risk, and the supply of houses would therefore be restricted and of poorer quality. But by pooling the risk through fire insurance, one can be relieved of the risk of loss by fire for a small payment. One can then proceed to make his plans for building as though no risk of such loss existed. Cannot a similar principle be applied to the risk of industrial loss with beneficial results?

*Charles W. Wood: The Great Change**
(pp. 41-54, 101-110)

So I went to the biggest production engineer I could find in the United States, Mr. H. L. Gantt, former Vice-President of the American Society of Mechanical Engineers and consulting expert for many of America's greatest industrial organizations.

"If our industrial machine," said Mr. Gantt, "were made to run at top-speed and maximum capacity, according to the laws of production which have already been discovered, America could win the war, pay for it out of hand, live in comparative opulence while we were doing so and be immensely richer at the close than we ever were before.

"On the whole," he said (this was in June, 1918), "only about 50 per cent of our industrial machines are actually operating during the time they are expected to operate; and on the whole these machines, during the time they are being operated, are producing only about 50 per cent of what they are expected to produce. This brings our productive result down to about one fourth of what it might be if the machines were run all the time at their highest capacity.

"This conclusion is not a guess, but is based on reliable data. Un-

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fortunately there are many other elements of unnecessary waste in our productive process which cannot be so accurately calculated, but which reduce our effectiveness certainly to 20, and very probably to 15 per cent." . . .

"There are two main reasons why we have such a low percentage of production. The first is that industry is not managed by men who have learned industrial management but by business men whose specialty has been the study of market conditions. The second is that the autocratic owners of our industries have not always wanted 100 per cent production. They have been gunning for something else—for profits. How can we get efficiency in our industries when those who control them do not always want efficiency in the first place and wouldn't know how to get it if they did?

"Overproduction has been the bugbear of American business. Our periodic panics have all been laid to this. From time to time we have produced so many goods that it was thought there was no market for them, and the industries have had to shut down. This brought unemployment and poverty, with consequent inability to buy the things we had produced. The workers then had to go ragged because they had produced so many clothes. They had to go bare-footed because they had produced so many shoes. They had built so many houses that they had to live outdoors. Can any one find an excuse for continuing such a system of industry?

"How to curtail production and avoid glutting the market has often been a problem of our business interests. Curtailing production means shutting down the plant, wholly or in part. The 'captain of industry' by this measurement thus became too often a captain of idleness. The way to get rich, he discovered, was to quit producing wealth.

". . . the important man is the man who can produce the goods. In most of our industries heretofore the sales department has been the important factor, with the accounting department possibly second and the production of goods shunted into third place. . . .

"Few of our business men," he explained, "have ever known what it costs to produce an article. They are the victims generally of a false cost-keeping system. When an accountant wants to figure the cost of an article, one of the first things he does is to throw in all the 'overhead' Even though nine-tenths of the plant is absolutely idle, 100 per cent of the whole investment is charged to the 'cost of production.' This is altogether misleading. If I rent two apartments in New York at \$100 a month each, then live

in one and keep the other closed, I cannot honestly claim that it costs me \$200 a month for a place to sleep.

"All our accounting systems should contain another column, one showing the losses incurred through shut-downs, strikes, the idleness of any part of the plant, experiments that do not work, failure to get supplies, anything and everything which is not rightfully chargeable to the actual process of production. In one column, then, the actual cost of production would appear; in the other the manufacturer could see at a glance the tremendous cost of non-production and would be anxious to repair the leak. The reason he doesn't repair it oftener to-day is that his accountants have covered it up with pretty figures.

. . . . "We have never had real overproduction yet," the engineer answered. "We have never produced more things than we wanted. All that we have done is to produce more than we could buy. With distribution simplified, that bugbear would be removed. If the time ever comes that we have produced all the things we need, most of us won't mind knocking off work a while." [Page 100—Walter N. Polakov. During the war Power Expert for the United States Shipping Board.]

"Engineers have always recognized the terrific waste of natural resources and of human life involved in our industrial system, but those in control of the system were not interested. If we talked 'maximum production' to them, they were deaf or else they were scared of an over-production panic. If we talked of the waste of human life, the discouragement of the workers and their consequent inefficiency, the captains of industry thought we were sentimentalizing and replied that 'business is business.' Although a few individual firms were enlightened enough to introduce a common sense and humane system in their industries, we couldn't inaugurate general and nation-wide economies. The result was that more than half of our machinery was always idle while the rest was running inefficiently; and more than half of our labor power was wasted, while more than half of that which wasn't wasted outright was used to very poor advantage.

"The American industrial machine was like a great plant, if we can imagine such a thing, where every department was antagonizing every other department, where the object of the boiler-room was to furnish as little power as possible at the highest possible rate, and the object of the shipping room was to deliver the goods in the most roundabout way imaginable. The object of the business office was to fix the highest price obtainable; in other words, to make the distribution of the goods as difficult as it could be made, and still keep the industry out of a receiver's hands. Neither prosperity

nor humanity could result from such a system, and nothing but the grace of God and the illimitable resources of America gave us such prosperity as we had.

"The old system hasn't gone yet, but it is going. Our shipping department, the railroads, are no longer looking for the longest haul. No one is afraid of over-production [i.e., during the war], and business men everywhere are ready to talk coöperation instead of competition. Saving power has become a national ambition, not only saving coal but labor power as well. The whole industrial machine is taking on a new form; all the departments are becoming coöordinated, and the friction which was once considered sacred (for competition is another word for friction) is being eliminated. Not anywhere as fast, of course, as we engineers would like to see it happen, but an inspiring start has been made.

"If the organization is continued to a logical conclusion," Mr. Polakov added, "it is bound to bring undreamed-of prosperity to all America. We shall be able to pay for the war in almost no time and to enjoy life on a scale that the world has never known. For the labor of every man will be worth double or triple its former value, both to himself and to society at large.

"For the new system is not based upon the principle of speeding up and grinding down the workers. In every case of war reorganization, where industry has been quickened and something like maximum results obtained, there has been a decided betterment of the condition of the toilers. The ten-hour day has generally given way to eight; and there is every reason to believe that the six-hour day will soon prove still more economical. This is not because of any sudden surge of sentiment, but because the time has arrived when the nation, out of dire necessity, had to listen to her engineers. . . .

"Henry Ford," he explained, "discovered that he could bring automobiles within reach of his people simply by securing maximum production. If industry were controlled generally by production specialists instead of by market specialists, the same result would be more often attained. Everybody would be busy producing things the people want at prices which they can afford to pay.

"In the cost of an article, as manufacturers have heretofore been reckoning cost, the whole cost of a half-idle plant was included; while if the plant were not idle, the cost might be cut in two and the producer realize a greater total profit than before. There is no good reason why the consumer should pay such a premium on idleness. If a landlord refuses to rent half of his houses, he can't expect his tenants in the other buildings to pay him double rent.

"It took the war to teach us the necessity for economical production; and it is obvious that we would have been helpless to-day

if we had continued to depend for our vital needs upon a disorganized scramble for individual profits. But such a system is no better for peace than it is for war, and I cannot imagine that we shall return to it."

"Just one more question," I asked, "How about that six-hour day?"

"Coming," he said. "Still, I haven't yet been able to demonstrate conclusively that men can do more in six hours than they can in eight. Positively they can do more in six than they can do in ten or twelve; but, owing to certain conditions in the plants where I tried it out, the six-hour experiment is still inconclusive."

"However," the engineer concluded, "America seriously sets out to eliminate ALL the friction in her industrial system, we may expect a four, or perhaps a two-hour day. With production simplified and power utilized to its fullest capacity, we could probably produce all we want in much less than six hours; and with distribution simplified, we would have no trouble in securing the product for our own enjoyment."

"Socialism?" I asked.

"Engineering," he corrected.

Sidney Webb: The Restoration of Trade Union Conditions * (pp. 37-38, 41-42)

What is perhaps of more importance from the employer's standpoint is that they have discovered how to increase the output of their establishments without increasing the number of skilled operatives; and, at the same time, how to diminish the "labor cost" of their products, irrespective of any reduction of the rates of wages. A large section of British industry has at last learned by experience, as it had long admitted in theory, the lesson of the economic advantage of a large output, of production for a continuous demand, of standardization and long runs, of the use of automatic machinery for the separate production of each component part, of team-work and specialization among the operatives, of universalizing piece-work speed and of not grudging to the workers the larger earnings brought by piece-work effort. We do not think it is any exaggeration to say that the 15,000 or 20,000 establishments, large or small, in every conceivable industry, with which the Ministry of Munitions, the Board of Trade, the War Trade Department, and the Admiralty have been in touch, are now turning out, on the average, more than twice the product per operative employed that they did before the

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war; whilst, assuming the same standard rates of wages, grade by grade, the labor-cost works out considerably lower than under the old system.

Employers, at any rate, are abundantly convinced of the economic advantages of the new industrial revolution that has been effected. Not from engineering alone, but from industry after industry comes the report that productivity and profits have alike so much increased that any reversion to the old state of things would be disastrous, and that the continuance of the new organization and practice of their factories is indispensable if this country is to be able to face the impending fierce competition for the world's trade. . . . During the past two years the factories have, in many cases, been enlarged or completely rearranged; the application of power has been revolutionized; the provision for lighting, heating, and ventilation has been transformed. The course of manufacture and the appliances have been changed. Many tens of thousands of automatic lathes and other machines have been installed, frequently of kinds never before employed in the establishments in which they are now working, and in some cases not previously in use in this country. The addition made to the machinery—almost all of it in the establishments doing "war work"—is estimated to run, in the aggregate, into hundreds of millions sterling. A large proportion of this machinery has been put up for the new processes which have been introduced in connection with the standardization of parts and the long runs of repetition work; and for all this the old time work rates of wages have been superseded by new piecework and bonus systems. With the rapidly progressing "dilution of labor" and the substitution of team work for individual production, the old rates of speed and the old standards of output have become wholly obsolete.

Finally, in order to work the new machinery and to execute the newly devised processes, as well as to replace the skilled mechanics called to the colors, new classes of operatives, who would never have been allowed inside the establishments prior to the war, have been taken on and trained to the new jobs to the extent of several hundred thousand, a very large proportion of whom are quite certainly determined to continue in the new vocations that they have gained—craftsmen belonging to other trades, unapprenticed handimen, semi-skilled men, nondescript persons from all sorts of occupations, hobbledehoy youths, and, last of all, women, some of whom have now made themselves capable of the work of the all-round skilled craftsman.

3. ORGANIZATION OF PRODUCTION[†]

Walter E. Weyl: The End of the War * (p. 363)

What we have learned in war we shall hardly forget in peace. We shall no longer be content with an industrial machine which is so ill-regulated that it loses its force in waste heat and develops little drive. We shall be obliged to retain conceptions and practices acquired during the war. The new economic solidarity, once gained, can never again be surrendered.

For however the war ends we shall require the full use of our productive machinery. If no international system is developed we shall be involved in new conflicts in which economic capacity and the possibility of immediate economic mobilization will be decisive factors. On the other hand, if we are fortunate enough to secure a stable international system guaranteeing peace, the economic competition between nations will for a time at least remain. For our own progress and influence the best possible utilization of our resources will be essential.

The chief obstacle in the way of such improvement is the multiplicity of our conflicting economic interests due to our extreme solicitude for special privilege. We still hold sacred all rights to exploit and monopolize, and we divert an immense share of the wealth and income of the nation to a small social class. Our trust movement, though it has proved itself superior to industrial anarchy, has led to a further accentuation of inequality and to a further increase in the power of financially privileged classes. Everywhere we find a stark insistence on special rights not only by the very wealthy but by men of moderate and even of small means. As a consequence, although our industrial plants are individually effective, they are collectively ineffective. There is no unifying concept to our economic system.

Ordway Tead: The People's Part in Peace †
(pages 112-115; 118-130)

If the nations are to deal together through organizations entrusted with special functions—a wheat commission, for example,

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or a coal or iron commission—the need for an integrated organization within each country for the control of each particular industry becomes patent.

Already for war purposes this need is appreciated. When the government's demand for goods requires the mobilization of the energies of an entire industry, all manufacturers in that industry necessarily become a party to the allocation of contracts and materials. The fact that there is only one buyer and that this purchaser can take all that the manufacturers will turn out, removes any reason for secrecy or competitive bidding. This has been the situation—to take only one example out of many—in the wagon industry. It was not enough for a general "association" including only the "big fellows" of the industry to go to Washington. All vehicle manufacturers had to be represented. The convocation of the entire industry in this way made possible a new and unprecedented degree of organization. The manufacturers agreed that from now on instead of eight hundred they would build only four hundred types of wagon; and the likelihood is that in the course of standardization this number will be reduced to fifty with the consequent economies in manufacture further enlarged. Uniform cost-keeping methods have been adopted; and to each concern has been allotted, at a price which the industry believes to be fair, as much of the Government's total order for wagons as it can handle. This case is typical of the extent of combined action which the war has made essential in many industries.

But a second fundamental idea must be kept in view. Organization must not only be by function; it must be controlled by a group representative of different interests. This necessity for the participation of opposed interests in affairs that affect them will be especially important after the war, when the workers will be increasingly in a position to demand a share in industrial government. Reasons for national organizations by industries and representative of the several parties are therefore forthcoming from several different directions. For the employer an integrated industrial organization assures the most economical manufacturing methods by making it possible to standardize processes and product; and it provides the most successful selling methods abroad because of the low prices at which goods can be offered by the coöperative selling agency which an organized industry can maintain. For the worker such representative organization becomes a guarantee of his participation in the control of the industry. And for the government and the larger public a well-organized industry means a single unit to be dealt with and controlled in both domestic and foreign trade relations.

If, then, the integration of the national economy along these lines

is desirable, how is it to be achieved? Are there in evidence tendencies in the direction of representative national industrial organizations? In England there are. The Whitley Report has precipitated a vast amount of practical suggestion and action in this very direction. . . .

Not directly fostered by the Whitley document, but equally in harmony with its suggestions, is the Board of Control of the Woolen and Worsted Industries which was created in 1916 to organize and protect these trades for war purposes. The wool shortage made it necessary for the government to buy up the whole clip not only of England but of Australia. This done, problems at once arose as to the distribution of the supply among the existing factories as well as regarding the price the government should pay for spinning and weaving. Although experts from the trade were at once called in, it was soon seen that no satisfactory "rationing of wool" would take place in the absence of a completely representative supervision of the industry. A Board of Control of thirty-three members was, therefore, created, a third of whom were to represent the War Office, another third the employers' associations, and the remainder the trade unions. Upon this board devolves the duty of allocating the raw material in accordance with the needs of the country and the equipment of the factories, the determination of hours and working conditions and the settlement of "conversion costs" on such a basis that the manufacturers become simply the agents of the Government without the introduction of profiteering. So successfully has the industry operated on this basis that a standard cloth of a specified size and quality is now to be made at an agreed price for civilian use. After the war, while the representation of the War Office will naturally cease, there will remain a structure of control over this industry which will make it impossible ever to revert to the individualistic competitive scramble of the last century. And this coördination has taken place in a trade as disorganized, speculative, and specialized as is our own cotton manufacturing industry at this moment.

Another instance of joint control which shows the inevitable logic of the idea is at hand in the three National and District Marine Boards with jurisdiction over Marine engineers, caterers, and sailors and firemen respectively. The three national boards, headed by Sir Leo Chiozza Money, are charged with "the maintenance of the maritime supremacy of the British Empire and the establishment of a closer coöperation between the employer and employed of the British Mercantile Marine." As is the case in the other trades, the unions and the employers' association here also become the acknowledged agents of the respective parties at interest.

Scattered, therefore, though these examples of ventures in industrial constitutionalism are, they drive uniformly in one direction. They have but one meaning. They contain implication of a new industrial policy to which England is now committed. In consequence the Labor Party in its report on reconstruction is amply justified in its refusal "to believe that the British people will permanently tolerate any perpetuation of the disorganization, waste, and inefficiency involved in the abandonment of British industry to a jostling crowd of separate private employers. . . ." The Party is close to immediate realities in looking "to a genuinely scientific reorganization of the nation's industry." . . .

In our own country the machinery of regulation is at present more complete than the structure of a national industrial economy which it is potentially able to regulate. Integration of the nation's productive units on a basis of a representative control seems remote enough. Yet the war pressure has created a situation of complete nationalization and partial representation in the whole transportation industry. Shipping, shipbuilding, and railroading are now carried on under unified or coordinated managements; and the collective agreements that exist in these three fields afford a practical basis for an ultimate extension of joint control beyond the conventional "wages, hours, and conditions."

There exist for purposes of amicable war-time adjustment agreements between the Federal Government and the unions of long-shoremen, seamen, and of the shipbuilding trades. Under these contracts representative agencies of conference and arbitration exist, and it is not only conceivable but likely that if governmental control of shipping and shipbuilding continues after the war these agencies will be put upon a permanent footing and their powers gradually increased. Even more on the railroads are the organizations of the workers in a position which makes their representation on managerial boards a normal next step. Joint dealing with the operating and shop employees has now become such an accepted feature of railroad operation that it will be due to the unions' own caution and reluctance if no demand for representation in actual policy making and administration is pressed by the men—regardless of the ownership of the roads after the war.

The building trades furnish a further example of an industry in which the organization of masters and men is more and more co-extensive with the entire industry; and it is therefore among the first of the industries in which joint control on a national basis may be expected. Nor should the coal industry be excluded from mention for the same reasons.

But apart from these hopeful signs of the way things will prob-

ably move in other large scale industries—metal and textile trades—the interesting recent developments in the United States are in the field of regulation. The War Industries Board with its new powers stands as the controller of industrial destinies to an unparalleled extent. By its control over priorities in production and in the distribution of raw material within the country, it can do pretty much as it likes with industry. In addition, there are its price-fixing powers, which although only advisory become extremely effective through its other powers; and when in addition to this its oversight over the purchasing of the Allies in this country is considered, it will be seen that its control over price can be substantial. In the food and fuel situation the extent of national control is already publicly known. Under their broad powers, the Food and Fuel Administrators are able to control the price and the distribution of a number of essential commodities.

Over all trading activities, both domestic and foreign, are set the War Trade Board and the Federal Trade Commission. The War Trade Board is especially significant in the powers that it wields. It is expected to license and control all commodities exported from and imported into this country, to say nothing of its work in regulating all trade with the enemy or allies of the enemy. It is hard to grasp the potency of this function. The Trade Board has absolute control over the destinies of any industry which must import raw material or which counts upon sales in foreign markets. Its work reveals the practicability, quite apart from war-time needs, of a governmental body which will represent the public interest in dealings between the merchants of different countries in the allocation of raw stuffs and finished goods. Even if we create administrative bodies to care for the distribution of each commodity, there will still be need of a regulative body in each country to coordinate the demand of manufacturers in relation to available shipping space for the export of goods and the carriage of raw material. The more direct regulation of the export of goods is now permanently provided for in the Webb Export Trade Bill, which requires all corporations which associate themselves together for foreign trading purposes to be registered with and supervised by the Federal Trade Commission.

Over the field of finance, the hand of national control is also extended. The Federal Reserve Board, although not a war-time body, is able to control the domestic credit market in the public interest and to keep money and credit available in times of stringency.

The War Finance Corporation is organized to control the flow of capital in war-time; to encourage and help in financing projects

required by the war, to discourage expenditure on unessential enterprises. Its Capital Issues Committee has plainly a function which is socially wise not alone in times of war. The need for public control over the expenditure of capital in new ventures and in the expansion of old ones has been increasingly recognized in the last few years as the anarchic results of unrestricted competitive investment are understood. In the exercise of such a crucial function every precaution must certainly be taken against an arbitrary or repressive use of power; and of course one way to help in this direction is to provide for labor representation on the directorate of this corporation, as well as a voice for other special interests that may upon analysis appear to be present.

It is doubtful whether amid this array of boards there are many corporations which are having yet to submit to simultaneous control in the field of manufacture, sales, and finance. But in respect to these several phases of industry, agencies of potential control are at work. To what extent they duplicate the work that a scheme of national industrial councils would delegate to the industries themselves, it is not yet easy to say, although it is probable that there is in the hurry of war organization some unnecessary duplication of function. The important thing to understand, however, is that we have at least taken one big forward step as a nation. We are creating administrative and regulative machinery on a national scale to oversee the conduct of affairs in the national interest and for social purposes. It is implicit in the fact of all this special activity for war ends that it is undertaken for the benefit of all the people, that the public interest is receiving a major recognition as never before. At least for the war we have achieved a social purpose for industry—that is, for the war industries. It remains only for us to decide whether the retention of this motive after the war will make for a more rational and productive system of manufacture. What will be our decision?

No one can prophesy how rapidly the forces of integration within industry itself will work in America. But the prophecy which Dr. Friedrich Nauman recently made regarding conditions in the countries of the Central Powers is not wide of the mark for all of the countries which propose to buy and sell in the world markets under some degree of international oversight. "Henceforward," he said, "there will actually be a real political economic system by which is meant central government control of sale and purchase, and of the methods, extent, and valuation of production."

Whether we agree or sympathize with this picture of governmental control or not, is a secondary consideration. The fact is

that some form of national organization of industries as indigenous, voluntary, and flexible as our industrial statesmen have ingenuity to contrive, is a necessary concomitant of peaceable international trade. And such organizations will function in the public interest only when they are thoroughly representative in character; when consumers and workers no less than managers and investors are partners in the enterprise. It is not necessary that this sort of integration should end in government ownership, or clumsy and overweening monopolies. The national industrial councils of England exist specifically to minimize the extent of official interference. Indeed, the desire to be autonomous has governed their entire creation.

National representative organization of each industry is, therefore, simply the administrative condition necessary to assure democratic action in industry at home and democratic representation in international economic councils abroad.

J. A. Hobson: Democracy After the War *
(pp. 171-172)

What attitude shall the workers adopt towards proposals for increased productivity? What attitude towards the State as controller of industry? These two problems, as will presently be shown, are not independent of one another. But it will be well to approach them by the way of the demand for higher productivity. Now here at the outset we are met by deep suspicion on the part of labor. Increased productivity and the means of attaining it, i.e., dilution of labor, "scientific management," premium bonus and profit-sharing, workshop committees, etc., are, it will be contended, a capitalist dodge for getting more out of labor. In many labor quarters there exists a disposition to lump together for wholesale condemnation, without examination, all proposals which appear to be designed to make industry more productive. Even in pleading for a suspension of this judgment and for more discrimination, I shall here run the risk of being suspected of playing the capitalist game. Nevertheless it is certain that if any industrial democracy, carrying a substantial improvement in the life of labor, is to be achieved, great advances in the productivity of labor are necessary. The assumption that this necessarily involves a painful or injurious intensification of toil on the part of the workers is unwarranted. Increased productivity of industry is not synonymous with increased toil, though this may seem to follow from a narrowly conceived idea of labor as the source of all wealth. Improved organization of labor, the invention and

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application of better machinery and power, better methods of transport and marketing, access to better and more abundant materials, more intelligence and enterprise in the management, all these and many other factors contribute to enlarged productivity.

III. THE PRICE SYSTEM

I. TACTICS OF THE PRICE SYSTEM

• *Wesley C. Mitchell: Business Cycles* *
• (pp. 24-31, 585)

A BUSINESS enterprise may participate directly or indirectly in the work of providing the nation with useful goods, or it may not, for there are divers ways of making money which contribute nothing toward the nation's welfare, and divers ways which are positively detrimental to future welfare. But, for the understanding of prosperity and depression, it is more important to observe that even the enterprises which are most indubitably making useful goods do so only so far as the operation is expected to serve the primary business end of making profits. Any other attitude, indeed, is impracticable under the system of money economy. Only government and philanthropy can afford to make public welfare their first consideration. For the man who allowed his humanitarian interests to control his business policy would soon be forced out of business. From the business standpoint the useful goods produced or helpful services rendered are merely by-products of the process of earning dividends. It follows that a theory of modern prosperity must deal primarily with business conditions—with the pecuniary aspect of economic activity.

The practice has long prevailed among economists of neglecting this aspect on the ground that money is merely a symbol, the use of which makes no difference, save one of convenience, so long as the monetary system is not out of order. The economists have looked beneath "the money surface of things" to the labor and goods, or the sacrifices and utilities, which they assumed to be the matters of real concern. When applied to the theory of crises, this practice has diverted attention from the difficulties of business to the difficulties of industry, as if the latter were the fundamental source of economic ills. Thus "over-production" has sometimes been represented as if it were a chronic disorder of the factory system as such, which periodically infects the business world, and causes an epidemic of bankruptcies.

Such a view confuses the investigation of crises because it ob-

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scures the relations between industry, commerce, and business. The industrial process of providing and transporting goods, the commercial process of collecting and redistributing them, and the business process of making money are measurably distinct, although they run side by side, and are largely concerned with the same commodities. For the well-being of the community, efficient industry and commerce are vastly more important than successful money-making. A business panic which did not interrupt the making and distributing of wares desired by the community would be no great disaster. But the whip-hand among these three processes belongs none the less to business, since the very men who as manufacturers and merchants provide for the common welfare base their operations on the prospect of money profits. In practice, industry and commerce are thoroughly subordinated to business.

. . . Business prosperity, in its turn, depends upon the factors which control present and prospective profits, together with present and prospective ability to meet financial obligations. Profits are made by connected series of purchases and sales—whether in commerce or manufacture, farming or mining. Accordingly, the margins between the prices at which goods can be bought and sold are the fundamental condition of business prosperity. Closely connected with and in large measure dependent upon price-margins is the other great factor—the volume of transactions effected. Just as the ever recurring changes within the system of prices affect business prosperity and through it national welfare, so do changes in national welfare and business prosperity react upon prices. A period of business expansion causes an interminable series of readjustments in the prices of various goods. These readjustments in their turn alter the pecuniary prospects of the business enterprises which buy or sell the commodities affected, and thereby start new changes in business prosperity. With the latter changes the process begins anew. Prices once more undergo an uneven readjustment, prospects of profits become brighter or darker, business prosperity waxes or wanes, prices feel the reflex influence of the new business situation,—and so on without end. . . .

Prices, then, form a system—a highly complex system of many parts connected with each other in diverse ways, a system infinitely flexible in detail, yet stable in the essential balance of its interrelations, a system like a living organism in its ability to recover from the serious disorders into which it periodically falls. The most significant fact about the system of prices, however, is the function it performs in the economic life of nations. It serves as a social mechanism for carrying on the process of providing goods. For prices are the means which make possible the elaborate exchanges,

and the consequent specialization, which characterize the modern world. They are the source from which family income is derived, and the means by which goods are obtained for family consumption; for both income and cost of living—the two jaws of the vice in which the modern family is squeezed—are aggregates of prices. Prices also render possible the rational direction of economic activity by accounting, for accounting is based upon the principle of representing all the heterogeneous commodities, services, and rights with which a business enterprise is concerned in terms of money price. Most important of all, the margins between different prices within the system hold out that hope of pecuniary profit which is the motive power that drives our business world.

The making and distributing of goods by the elaborate modern methods requires highly skilled direction. On the technical side the work is planned by and executed under the supervision of civil, mechanical, mining and electrical engineers, designers, industrial chemists, efficiency experts, etc. These are the men who know how to extract raw materials, refine and manufacture them, devise and operate machinery, organize working forces—in short, the men who know how to secure the physical efficiency of economic effort. By applying the results and the methods of science to the everyday work of the world, they have led the rapid advance in the technique of production of which we feel so proud.

But in no country in the world are these technical experts allowed free scope in directing the work of providing material goods. Higher authority is assigned by the money economy to another class of experts, business men who are skilled, not in making goods, but in making money. As an employee of the business man, the engineer must subordinate his interest in mechanical efficiency to his superior's interest in profitable investment. The chief rôle in directing what use shall be made of the country's natural resources, machinery, and labor is therefore played by its enterprisers. . . .

Business cycles, then, make their appearance at that stage of economic history when the process of making and distributing goods is organized chiefly in the form of business enterprises conducted for profit.

This form of economic organization has been gradually developed out of earlier forms by successive generations of men who have thought to gain some advantage from each successive step. But the complicated machinery of the money economy has never been wholly under the control of its inventors. The workings of the system are not fully mastered even by the present generation of business men, and recurrently the financial machinery inflicts grave suffering upon us who use it. Because we have not learned how to

prevent costs from encroaching upon profits and stringency from accumulating in the money markets, how to keep steady the construction of new industrial equipment, how to control the market capitalization of business enterprises, and how to avoid spasmodic expansions and contractions of credits—because our theoretical knowledge and our practical skill are deficient regarding these technical matters, we cannot maintain prosperity for more than a few years at a time.

*Hon. A. C. Miller: Industries in Readjustment**
(pp. 309, 321)

Of all the financial difficulties confronting the country at the close of the war the price situation is, in a business way, the most serious and the one calling for the most immediate correction. Fortunately for the United States, this situation is not confined to us. The whole commercial world has been involved in a series of extraordinary price disturbances growing out of the war. While the situation is worse in some countries than in others, it is serious in all. The general dimensions and the gravity of it are sufficiently disclosed in the broad statement that, in the course of the four years of the war, the world level of prices has risen by one hundred per cent. In some countries prices mean depreciated paper prices, in others gold prices, but in all an increase has been experienced that makes the problem of price rectification one of urgency everywhere.

It cannot be emphasized too insistently that economic life can never be normal and that business conditions can never be safe until prices in leading world markets work their way back to some sort of a stable or normal level adjusted to conditions of national and international demand and supply, as these will be when industry and trade among the nations have recovered from the shattering effects of the war and have resumed something that can be called a normal course. . . .

The more the matter is pondered, therefore, the more, I believe, the heart of our national after-war business and financial problem will be found in the price situation. There are many other factors—such as wages, taxes, interest rates—but none that is comparable in its importance to the price situation nor unaffected by it. If our price situation is quickly cleared up by deflation, wages and taxes may be expected to adjust themselves to the altered conditions. Industrial enterprise can then make its calculations on something like

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a stable or normal basis and the period of post war readjustment need have little terror for us. The whole world is inflated.

A great opportunity, therefore, awaits the country, which is the first to be able to begin marking down its prices toward peace levels. The world needs us and what we can produce. It needs copper, cotton, steel, machinery and many other things. Some of these it will take at any prices but it will take much if our prices are such as to invite foreign demand, and we need give little attention to artificial methods of taking up the slack in the labor market and otherwise stabilizing industrial conditions, if we take up promptly and proceed vigorously with the solution of the price situation.

*Walton H. Hamilton: The Price-System and Social Policy **

It is therefore over money-making that the price-system exercises its strongest tyranny,† and for this reason it is necessary to study quite particularly this influence.

• Let us begin with the group charged with the management of independent business ventures. To them success or failure is written in the balance sheet. They find their activities hemmed in between the prices of the goods and services which they buy and

* From the *Journal of Political Economy*, January, 1918. Reprinted by permission of the author and the University of Chicago Press.

† To insist at length upon the price-system as determining one's activities, habits, and mode of life is insisting upon the obvious. But in our thought, and even more in collective endeavor, its constraints upon us are not always clearly recognized. Offhand we think of the state as the institution which exercises the greatest restraint upon our actions. But a moment's thought shows how inferior its power is to that of the price-system. If space were available, it would be interesting to make a detailed comparison between the two institutions, with attention to the source of the power of each, the way in which it is used, the range of activities affected, the ease with which their respective decrees are enforced, the relative amounts of friction involved in the enforcement, the speed and continuity with which they reflect changed conditions, etc. But the comparison is easy and the reader can make it for himself. It is of note that neither in the Middle Ages nor in our own times has the state been the institution of dominant authority. For the earlier period that place was held by the Holy Catholic church; in our system it is taken by the price-system. In passing one cannot but mention the peculiar position into which the classical economists fell in discussing the price-system and the state. In trying to show the small place which the state should have in social matters they appealed to the dominance of the price-system. But the latter was regarded, not an institution, but as a manifestation of a natural order. Thus they denied importance to one institution by using a second institution whose institutional character they did not recognize.

those of the articles which they sell. By grace of high prices or low costs the business adventurer derives from his concern a surplus; by dint of low prices or high costs he has a deficit thrust upon him. Unless a surplus appears, at least for its owner, the enterprise ceases to be. If it is small, his position is precarious; as it increases, there appears room for discretion, for personal judgment, for individual whim. If one would increase output, manufacture a new product, introduce a new technique, change the organization of labor, place his goods in new markets, build a new plant, or engage in a gigantic advertising venture, experts familiar with the matters in question are consulted. They are asked, however, not for decision, but for advice. Their opinions are pertinent to, rather than sufficient for, judgment. They have to be translated into terms of dollars and cents, and final choice is reserved to those who know far more of the mysteries of the pecuniary calculus than of the intricacies of the productive process. If restraint came only from immediate prices the enterpriser might break them down and find economic freedom for himself. But the costs of many goods which he uses are but local manifestations of prices of goods used in the production of a thousand products. Over selling prices his control seems somewhat greater, but here there are also many restraints. If he has competitors, he dare not go much higher than they lest he be left without a market. If he has none, the double possibility of substitutes and of potential competition makes high prices less inviting. If his goods be other than a prime necessity, there is a chance of his market being swept away by the preference of the consumer for the satisfaction of some want other than that to which his product ministers. If he sells to other producers the upper limit of price is quite a rigid one. Hemmed in thus he may seek to escape by increasing the amount of his sales. But price-lowering or extensive advertising, essential to this result, are alike expensive. They can succeed only within definite limits, for he has to compete against the allurements of other sellers. At best only the exceptional concern can expect an extraordinary share of the trade.

To this fitful tyranny of the price-system over the enterpriser many conditions peculiar to the industrial system contribute. The wide variety of the goods offered on the market presents to the consumer an endless choice. The result is that an increasing part of the industrial system is engaged in producing goods which satisfy a capricious demand. Since establishments are built and stocked with equipment to turn out a predetermined volume of goods at the lowest

cost per unit, costs do not decrease in proportion to diminished sales. While it is important to keep sales uniformly large, in few cases is this possible, for the fixed establishment is sadly at variance with the rhythm of activity in the business system. When trade is at a low ebb, small sales, attended by meager receipts, demand the utmost attention to the dictates of price. When the flood time of the cycle is on, there is no surcease, for the manager sees the double danger lurking in rapidly rising costs and in the inevitable depression whose seed prosperity is sowing. An additional danger, inseparable from industrial expansion, has left the entrepreneur face to face with a striking dilemma. If he expands his business to keep pace with rapidly growing population and wealth and the demand for better quality and larger variety in his goods, he is assured both economic survival and a more secure position. If he fails to meet the enlarged and more particular demands, he is destined to succumb to his competitor. To accept the first alternative he must usually find in his own dividends funds for expansion, which increases his slavery to a price-system subject to the caprice of the business cycle.

An even more immediate incentive to obedience proceeds from the corporate character of business organization. The impersonal nature of the corporation, the theoretical separation of ownership and management, and the extreme liquidity of securities combine to make responsible managers particularly sensitive to immediate price-motives. The securities are usually owned by the members of a body more numerous than the management, living broadcast throughout the country. Few of them have any personal knowledge of the concern, its organization, its personnel, its technical processes, or the living and working conditions of its laborers. The summary of the economic, social, and moral condition of the business is usually presented to them in the double form of the value of securities and the rate of dividends. If, by grace of management, a generous dividend is forthcoming, inquisitive owners are not likely to probe far into the how and why, and those in control are assured a generous extension of power. If it fails, those who have purchased in securities merely impersonal pecuniary incomes are not likely to tolerate excuses about managerial concern for social good. Their interest in charity is too personal and too precious to be delegated to men who draw salaries for posing as business celestials. If by some mischance a management is elected which proves incurably altruistic, the stock market offers an easy egress to the analytically minded who do not wish to mix uplift with investments. If, as is more probable, particular stockholders object on moral grounds to the policy of the management, they may transfer

their ownership to industries more to their liking. The change will soothe the individual conscience without interfering with the practices of the concerns involved * If managers succeed beyond their expectations, their very success evokes the law of capitalization and leads to an increase in the value of the investments upon which in future they are expected to pay dividends. Thus success, instead of bringing relief, merely renews the slavery. Because well-connected businesses pay dividends regularly, the management is constantly under the temptation to subordinate to the amenities of the present projects which promise much in future to themselves, to the concern, and to the community. The constant opportunities of managers to speculate in the stocks of their own concerns do not diminish this temptation.

The response of enterprisers to the immediate pressure of prices involves more than the temporary well-being of the enterprisers they manage. If the ultimate interests of the managers, the business ventures themselves, the laborers they employ, and the communities they supply are in accord with the demands of immediate money-making, they are likely to be served. If the lack of harmony is inconsiderable, the more immediate may be sacrificed to the less immediate value, provided business management and ownership are relatively stable. If they are out of harmony, the less immediate interests of group and community are likely to be sacrificed. No matter how promising a change in working conditions, no matter

*To sell an equity in a business which does not satisfy one's morals seems a relic of an antiquated individualism, yet any one of us would do it. We object to renting property for saloon purposes, to owning stock in patent-medicine concerns, to enjoying dividends made possible by child labor, overwork of employees, or forcing the incidence of industrial risk upon them. Regarding the issue as one of personal morality, we wash our hands by selling our holdings to others whose particular scruples do not apply to the objectionable practices. Yet such sales merely salve individual conscience; they contribute nothing to an elimination of the objectionable practices. In fact the investment market has been organized in such a way as to permit an easy gravitation of equities in property toward those whose consciences are best fitted for their ownership. One endowed with a gift of narrative might write a satirical story about a group of very virtuous individuals, each of whom happened to be left with a minority interest in a concern that engaged in practices of which he disapproved. Each would set about ridding himself of his investment. Such a redistribution of equities would be effected that each would come into possession of a property whose uses met his scruples. Thus the consciences of all would be freed from their burdens and the objectionable practices would be left intact. The point is that it is futile to attempt to solve social problems by appealing from the price-system to personal morality. Such problems can be effectively dealt with only through changes in the plane of competition. Hence they call for social morality and collective activity.

what the possibility of a proposed law, if it threatens serious interference with immediate gain it is damned. Impinged upon by conditions which they cannot control, business men have no alternative but to attempt to increase current dividends by similarly impinging upon prices not strong enough to resist their impact. To each the flood time of the cycle represents normal conditions; each can be depended upon to favor policies promising wider markets, further exploitation of natural resources, and an acceleration in the rate of industrial expansion. These are the essential demands of the group as they have found expression in social development. It is significant that they arise, not in the desires of business men, but in the institutions to which they must conform, that their end is not to advance consciously appreciated group-interests but to conserve and increase current incomes.*

An extended argument seems unnecessary to show the response of professional and laboring men to similar demands for immediate income. If with the former it seems somewhat less whole-hearted, it is because the lurking traditions of the craft period and the better-formulated codes of professional ethics more rigidly confine the motive. But the establishment of bounds rather determines the nature than takes away the intensity of competition. Only where incomes are fixed and personal effort and direct pecuniary reward are divorced do we find a profound disregard to immediate pecuniary values. Professional men and laborers alike have a perishable commodity to sell and are compelled to sell it in an irregular and capricious market. The skilled laborer shares with the professional man the further disadvantage of having to dispose of a highly specialized product. The nature of service and the character of the market beget a careful regard for current values. To the laborer especially income is a regular flow; his outgo has usually been arranged in strict conformity with that fact. Many times provision can be made for a bare month ahead; in no inconsiderable number of cases the span of economic calculation runs from Saturday night to Saturday night. The failure of an appearance of the pay envelope leaves him without the means of support and may threaten his future security. The opportunities of his children

* It is of note that the business man obeys the laws of the institutions under which he lives rather than personal inclination. The tendencies affecting the development of society thus find expression through him rather than take their initiative from him. However, it must be confessed that in the industrial system positions and their occupants are brought together by a selective process, and that managerial rôles are usually played by men who, either by inclination or by training, are able to brush non-pecuniary considerations aside and to act quickly. Their wills are usually in harmony with that of the institutions governing their actions.

for development, for health, even for life itself, depend upon uninterrupted income. We may therefore expect the laborer and in lesser degree the professional man to take much conscious thought about current income.

It is apparent, therefore, that the class which lives under the continued and fitful sway of the price-system contains the great mass of mankind. To realize their ideals, to carry through their schemes, to thrive economically, even to continue to exist, they must be responsive to the dictates of money-making. It matters not how unselfish the individual, how unmercenary his motives, how great his concern for literature, philosophy, or philanthropy, he must live in a pecuniary society; he must attain his ends by selling and purchasing goods and services. Before he can write poetry, establish schools to teach art, or send forth missionaries to make converts to the abolition of the price-system, he must obey its commands. His aspirations may all be spiritual, he may rebel at the existence of the institution, but in the end no choice is left save obedience.* This is not because he is money-mad, nor because money motivates his activities, but because he lives in a society so organized that pecuniary income is a definite and exact summary of his varied and complex assortment of motives. The constraint to subordinate welfare to wealth proceeds neither from an instinct nor a morbid desire, but from the nature of the social organization.

The direct dominance of the price-system over thought and action is upheld by a number of social conventions. This indirect support is so important that an enumeration of the more influential of these is necessary to an adequate appreciation of its power to shape conduct.

The first and most obvious of these conventions is the high measure of public esteem accorded the business man, the member of society who is the most prone to reduce his universe with all its contents, measurable and incommensurable, to pecuniary terms.

* Perhaps no question of theoretical interest in economics has provoked more confusion than that of the incentives to economic activity. To insist with the classicists upon individual self-interest as the sole origin of conduct, or with the sociologists upon environment as its exclusive source, is to make a half-truth do duty for the whole. The factors are complementary rather than antagonistic; it is always the individual who acts, and egocentricity makes interest his dominant motive, but he always acts within a situation which infuses the content into his activity. Bankers and physicians are alike impelled by self-interest, but their actions are governed by very different codes of professional ethics. Medieval guildsmen and modern unionists alike respond to self-interest, but they act within very different institutional systems. Since the concern of this article is primarily with the content of group-activity, its stress necessarily falls upon institutions.

In America until recently there has been no recognized aristocracy, no clergy with clearly defined traditions, no professional class of assured status, no group with the prestige which comes from established position. Since the first requisite of development seemed to be an industrial system, with its indispensable business complement, business men came into this strategic position unchallenged. In popular thought it was they who made possible the utilization of natural resources; they who gave productive investment to savings; they in whose establishments labor found remunerative employment. The enterprises which they founded became the dispensers of blessings to the landowner, the merchant, the local newspaper, and the neighborhood church. It was through their new ventures that the community grew, amassed wealth and population, throbbed with industrial life, and assumed full-fledged urban pretentiousness. In view of these services the opinions of the lord of trade found a ready hearing. If we are prone to laugh at him as an accredited critic of tobacco and soap in newspaper advertisements, our feelings are more serious when we remember that to the great majority of men he is competent to speak with equal authority upon affairs of state and the immortality of the soul. Small wonder that we regard him as capable of advising us in matters of social policy.

A second convention favorable to the dominance of immediate pecuniary values is our habit of using the dollar as the measure of all worth and all attainment. In more stable communities the institutions which represent the various aspects of life group themselves in a varied and rich social organization. There the individual is appraised in terms of such standards as birth, religious belief, education, intelligence, political opinion, and personal morality, and the answers obtained are all used in giving him his place in the community. If he does not care to be an outcast he must conform to the dictates of these standards. But under industrialism it has been impossible to use at all adequately these rich standards of social rating. Throughout the greater part of America two generations have witnessed the transition from an agricultural to an industrial system, and the newer life has been adequately organized only in its immediately industrial aspects. The transition has everywhere been accompanied with a high degree of flux. In small villages the names of firms still change with kaleidoscopic quickness. On the investment market securities change hands even more rapidly. In the city propinquity is no breeder of neighborliness, and the roof of an apartment house does not make of its numerous occupants a community. Labor is "on the move," ever ready to take "the main chance." Amid the rapid whirl of industrialism one gets into the

habit of considering relations but for the day. Here to-day, there to-morrow, the identification of individual with industrial establishment, with community, and with peculiar schemes of thinking and living has nothing in common save the blue sky above and the pecuniary income ahead. In view of the necessity of forming judgments within this chaotic society, it is inevitable that the dollar should become the arbiter of values. It serves well this function because, to those who use it, it is far more than mere income. When new sections of the country were inviting settlement, when older ones were ready to welcome machine industry, when urban centers were springing up in the wilderness, and when new occupations were beckoning to youth, the income ahead typified great adventure; it epitomized in one lucid expression the promises and the fears of a lifetime.

A third convention, intimately associated with the one just discussed, is the use of pecuniary display as a means of attaining personal distinction. In an impersonal society such as ours only the exceptional man, when disposing of his services, is asked about his ancestry, his political views, his moral scruples, or the fundamental nature of his subjective cosmos. In supplying his wants one purchases the services of others in the form of impersonal goods, and from them he can ask no questions about the personal characteristics of their makers. One's few intimate friends are drawn to him partly by similar tastes, partly by incomes of a size to allow them to enjoy the same opportunities and amusements. The transitory nature of acquaintance causes even one's friends to fail to see many of the elements of his life which stand fully revealed in an established community. Of many aspects of his life for which he yearns for approval or shrinks from disapproval they can know only what he tells them. Friends, too, are few in number, far fewer than he would like as a personal audience. The individual within him craves recognition even from the unknown crowds against which he jostles every day. As he goes to and fro upon the cars, as he frequents restaurants, as he haunts the theaters in search of vicarious companionship, he desires to be accounted the equal of any. To this end he must use easily recognized marks of distinction. But the prestige of ancestry reveals itself in no peculiar facial expression; kind hearts cannot be worn upon coat sleeves; erudition is not always knit into the brow; and even the cloth is not an infallible index to inward piety. But pecuniary position can be donned with one's clothes; it can exhibit itself in the outward form of one's living; it can display itself in the brilliance of entertainment. Even if unattainable, it may perchance be feigned, which, if successful, is just as well. Pecuniary display thus serves to give

one the satisfaction which otherwise he would secure from favorable appraisals in terms of more personal standards. Small wonder that where industrialism is dominant one gets into the habit of regarding pecuniary income as the one sure way to personal distinction.

A fourth convention, perhaps implicit in those which have been mentioned, is that of allowing processes of thought to be dominated by business habits. In the industrial environment the merchant cannot mix gossip with his sales; he has no leisure to discover the views of his employees upon the question of apostasy; he cannot appraise inefficient employees as "chips off the old block." He comes into contact with many men; he engages in many transactions; he must find standards for business judgments. He must list and label many persons and values; it must be done with dispatch; it must be done accurately. He has a concern for his own business reputation, and he knows that at the bank and in Bradstreet's he himself is rated in purely pecuniary terms. For his own ends the pecuniary calculus, similarly used, never fails him. In view of his habituation to it in business it is natural that he should extend its domain to cover the values of his social life. As issues are presented to him, as proposals of changes in social arrangements come and go, as values strive for the dominance of his mind, he must catalogue and appraise them. To that end pecuniary standards are tangible, intelligible, and lend themselves to even the most elementary processes of thought. Its judgments belong to the here and now, not to the far-off half-real things which may or may not be. It fits the needs of a world whose primary concern must be with the immediate problem of making a living to-day. To use any other standard in measuring the would-be tendencies in social development would contradict the universe in which he leads his life.

If the analysis has been correct, a response to immediate pecuniary interest has greater influence upon the conduct of individuals than a consciousness of their more ultimate interests as members of competing groups. Thus the first part of the double task with which this argument is concerned has been fulfilled. But its very truth seems to deny the possibility of establishing the second thesis, that out of these responses to individual interest, so diverse and so contradictory, a coherent social development leading to economic concentration has sprung. For evidently the totality of incomes is not without limit, and in furthering his own interests one might be expected to provoke opposition from others by encroaching upon their possibilities of pecuniary gain. Accordingly development might be expected to reveal chronic vacillation, arrested growth, and protracted anarchy.

While it is useless to deny that to an extent this has been true,

the opposition of conscious pecuniary interests has been more apparent than real. The antithesis is resolved by a consciousness of a real or apparent harmony between the immediate pecuniary interests of the several industrial groups. The source of this identity of interests is to be found partly in the stage of our development, partly in certain features peculiar to our social organization.

Thus far the industrial life of this country has been characterized by a vigorous exploitation of natural resources and by rapid expansion. The exploitative industries have made enormous gains. In their competition for the goods and services essential to their continued operation the managers of these industries have been forced to raise the prices paid for cost goods, thus increasing the incomes of members of other groups. Under expansion increments of income are constantly accruing, and the very intricacy and delicacy of the price-system can be depended upon to distribute these among various industrial groups with a more or less lavish hand. It may well be that a much larger share is appropriated by members of the higher pecuniary groups than by those of the lower, but it is nevertheless true that the increased prosperity of the purchaser of one's services gives promise of an increase in their market value.

An even larger measure of apparent identity has its source in the organization of the personnel of our industries in the form of a hierarchy. At its apex are the enterprisers, recipients of large incomes, endowed with comprehensive industrial powers, and, perhaps most important of all, possessed of unusual control over public opinion. Their vantage position has come with the great transformation of life and values which we call the industrial revolution. The nature and scope of this will be made clear by a brief comparison of the older craft system and the newer machine process.

The craft system tends to a diffusion of wealth and industrial initiative. It has its basis in the tool, whose cost is small and whose utility extends to an infinitude of tasks. Where it still dominates technique, as in agriculture and retail selling, productive establishments are small, numerous, and widely scattered. The prevailing type of organization is the personal establishment or the partnership. Among those engaged in these industries there may be something of a common viewpoint, system of thought, and scheme of ideals. Where these exist they are unconsciously held and owe their strength, not to communication and organization, but to the influence of similar working conditions. But the disorganization attending the multitude of establishments prevents the rise of a clearly defined group-consciousness which finds expression in a concerted program. Nor is there present the host of dependents who can be persuaded, at least for the moment, that their interests

are identical with those of their employers. Lacking means for forcing their viewpoint and ideals upon their own and other groups, the men busied with the craft technique are in positions of small strategic importance.

The modern industrial system, on the contrary, tends to a concentration of wealth and industrial control. It has as its basis the machine, which is a complicated collection of parts, costing much in labor and accumulated wealth, and useful for a highly specialized task. The specific character of its work makes necessary in a single establishment a large number of machines differentiated in function. The small contribution which can be allowed it for the work which it performs upon a single unit of product inhibits its use in any save large establishments. Accordingly plants using the new technique are likely to be of immense size, small in number and highly concentrated. Their corporate form of organization puts control of them in the hands of a small number of men. This, with the small number of really large establishments, gives rise to a group differing from others in wealth, in industrial function, and in habits of life. The small number and the identity of function facilitate communication and lead to the informal rise of common habits of thought, industrial ideals, and methods of action. In time there arises among them a conscious sense of solidarity of interests. However much they compete with each other, they are alike opposed to legislation or informal action designed to increase the prices of cost goods. Likewise they are agreed as to the desirability of any proposal promising a further expansion of business. The ease of communication and the identity of interests permit these and similar beliefs and desires to find expression in a consistent program. A connection between the realization of this program and the dividends which they regularly expect is sufficient for its diffusion in the much larger circle of the owners of the industries. . . .

For reasons such as these the diverse responses to immediate pecuniary necessity by divergent groups find expression in a common public opinion and a concerted action. The promises of social innovations may be differently viewed by men in different walks of life, and yet these men may agree upon the expediency or inexpediency of adopting them. The judgment may be in favor of a proposal whose eventual consequences bid good to none of the groups in society; it may be against a proposal which promises general good. Proposals are not accepted or rejected upon a consideration of their nature and of the eventual promises which they offer. Their fate rests upon the effects of their adoption upon current pecuniary incomes. Those proposals become aspects of social policy whose realization in action promises to increase, or at least

not to decrease, current distributive shares; those fail of inclusion, no matter what they eventually promise, whose adoption threatens immediately dividends or wages.

The social policy which the price-system permits to be formulated accordingly meets two requirements. The first is a demand for a preservation against collective action seeking to change conventional arrangements, for, a change in the fundamental conditions under which industry is carried on is accompanied by radical disturbance in the structure of prices. These are manifest in financial disorder, friction, scrapping of capital, unemployment of labor, and other disadvantages pertinent to the temporary breakdown of the system. The second is an approval of a program of exploitation or expansion which gives promise of increases in pecuniary incomes. In anticipation of these the members of all social groups regard the disorganization incident to enlargement as a slight inconvenience. Thus the immediate interests of the groups unite in a program favorable to the creation of new money-making opportunities and opposed to changes in institutions.

Such are the essential features of the policy which has found expression in our social development. It has aimed consciously at the elevation of no pecuniary group and at the subjection of none; it has had as its intent neither the concentration of wealth and economic power nor the dispossession of the proletariat. Economic groups have united merely to maintain those conventions and to favor those proposals which have promised to enlarge old opportunities for money-making and to open new sources of wealth. A continent possessed of boundless resources and a marvelous machine technique which could turn them into a golden stream of incomes have impelled a policy of reckless exploitation and feverish industrial expansion. In this mad rush most men have been reasonably successful in gaining wealth, and some have waxed fat beyond the wildest dreams of a less acquisitive age. But with these gettings many things have come, uninvited, unwilling—mere incidents to the more conscious process of drawing dividends and opening pay envelopes. Among these have been the rise of large-scale industry, the correlation of industries into an articulate system, and the subordination of all this to the pecuniary order. These together have arranged industrial functions in a scheme graduated according to their several importances, and have opened opportunities for those that have wealth and power to have yet more abundantly. Its complement has been a stripping of the great mass of men of economic initiative and power and a reduction of them to a propertyless host of industrial and clerical laborers. You may call this failure of the enfranchised many to make democracy an economic

fact unconscious or conscious as you will. It has been unconscious in that concentration and dispossession have been the intent of no social group. It has been conscious in that they have been inseparable incidents to a social policy which has sought as its first object the maintenance of the immediate and mutual pecuniary interests of the several groups which make up industrial society.

To summarize, however briefly, the argument which runs its tedious length through the foregoing pages would prove an additional weariness to the flesh. Its outlines are by this time obviously, even painfully, familiar. Yet a conclusion must wait upon a passing mention of some of the more interesting byways which lead off from the thoroughfare which has been followed. The more inviting of these will be set down in order.

First, if the foregoing argument is sound, neither our general development nor the specific aspects of it have involved either conscious group-activity in its own less immediate interest or a clear-cut struggle between groups. On the contrary it has repeatedly happened that the issue has been between a more immediate and a less immediate view of individual and group needs. Changes in institutions, in working conditions, in habits of living, have been pronounced desirable by men of all groups; yet the poor as well as the rich have shrunk from the immediate penalty incident to adoption. For this reason the fact of class or group deserves less attention than it has received in the discussion of economic problems, and the institution known as the price-system deserves to be accorded a place in the theory of economic motivation. Needless to say, this leads to a theory of economic conduct whose final term is neither the self-will nor the self-interest of the individual.*

* The classical theory of economic conduct has as its basis the concept of "the economic man." It is no exaggeration to say that this concept has been partially responsible for the disrepute into which classical doctrine has fallen among laymen. Yet the essential idea in the concept, the disposition of the business man, in view of the conventions and institutions about him, to act in accordance with his pecuniary interests, is sound. The classicists failed of exact analysis in assuming personal pecuniary interests to be simple and evident things and in failing to note that they are bundles of conflicting values. But their fundamental error was in formal statement. Because of their acceptance of the individualistic-naturalistic common-sense thought of the times, they attributed to human nature motivating impulses which spring in reality from the social system. Modern economists, however loudly they may exclaim against the concept, agree with its principal implication. It is peculiar that in several instances their conviction has found expression rather in an attempt to bolster up the human nature of the economic man than to associate the content of activity with the exigencies of life in a society organized upon a pecuniary basis. For an interesting rehabilitation of the economic man see Henry R. Seager, *Principles of Economics*, pp. 51-52.

Second, the price-system[^] plays a conservative rôle in social development. It is true, as has been so ably argued,* that men do not renounce radical programs because of any conscious fear that their realization will bring economic disorganization and social chaos. Yet, if we were possessed of the eighteenth-century belief in the moral efficacy of man's instincts, we might argue that intuitively men obey just this restraint. Each is conservative in action lest radical changes sweep away his income. But one's income is but an aspect of the price-system, and its disappearance a more incident of a more or less general disintegration of the price-structure. Hence the instinct which leads one to protect his income really functions to the preservation of the price-system against radical changes bringing with them general economic demoralization. On this basis one who believes in the system as ordained can easily see in the scheme of articulated prices a safety device, an institution whose function is the preservation of industrialism by protecting it against innovation. Certainly we may concur by admitting that the price-system imposes restraint upon innovation and thus gives continuity to industrial development.

Third, the price-system causes the less immediate to wait upon the more immediate value. There was a time when social philosophers insisted that the world had been so contrived that the interests of all were best served by allowing each to pursue his own personal advantage† Translating this into their own thought, economists found social interests inseparably associated with the right of each individual to be guided by his own immediate pecuniary interest.‡ Since we can no longer accept the assumptions underlying this confession of economic faith, our conclusion upon the question of the morality of development secured in this way must take the form of an alternative. So far as the long-run interests of society are in harmony with the immediate pecuniary interests of social groups, they are well looked after. So far as they are contradictory to these immediate values, they are sacrificed.§ However these future

* Henry Clay. See the argument in the footnote on p. 36

† For excellent statement of this theory see William Blackstone, *Commentaries on the Law of England*, Book I, sec. 2, and Percy Ravenstone, *A Few Doubts about the Correctness of Some Opinions Generally Entertained on the Subjects of Population and Political Economy*, pp 2-3.

‡ In this connection see the well-known discussion of the relation of natural theology to political economy in Richard Whately, *Introductory Lectures in Political Economy*, pp 99-117

§ In speaking of the England of the new productive system made possible by the machine technique Macaulay once remarked: "Nowhere does man exercise such dominion over matter" In discussing the social England created by the new technique, a recent book on English industrial history transposes Macaulay's words to read: "Nowhere does matter exer-

values may be separated into the two divisions, the prevailing industrial order forces us to subordinate a conscious consideration of welfare to a consideration of wealth. It forbids wealth attending upon the behests of welfare.*

Fourthly the price-system has denied to us a consciously formulated theory of social development. Collectively we do not take conscious thought for the morrow. We do not draw up schemes of what the society of after-while is to be like, devise ways and means for making it measure up to these ideals, and set about the attainment of our ends by an application of them to the society of here and now. On the contrary, we allow the non-industrial aspects of life, the rich and varied culture which it contains, and even the larger aspects of our social arrangements to develop within the limits permitted by a continued response of economic groups to their immediate interests. For good or for bad we make the development of culture a mere by-product of money-making.

At this point the argument must rest. Its function is expository, not didactic; positive, not ethical. As such it has been discharged. It may be that the dominance of the price-system has blinded us alike to the future and to larger current interests, and has prevented the establishment of an economic and social order far superior to the one under which we live. It may be, on the cise dominion over man" See J. L. Hammond and Barbara Hammond, *The Town Laborer*, pp 17-18.

* We have been told often enough to know that there are no real antitheses in life. Yet at this point the temptation is strong to contrast medieval and modern social policy. In the ideal of the former, however imperfectly it may have been realized in practice, the principle was clearly established that wealth must wait upon welfare. To that end welfare was defined, the means to its realization were determined, and wealth-getting had to accommodate itself to these. In terms of this theory the prohibition of usury, the social position of the trader, and the regulation of industry and commerce by church, municipality, and guild are to be explained. In modern society we neither define welfare nor determine means to it as an end. Quite consciously we allow it to accommodate itself to the exigencies of wealth-getting. We go so far as to allow the character and numbers of our people and their resolution into groups to be determined by the chase of dollars, despite the fact that the welfare of these groups is considered by most of us more ultimate than wealth-getting. It is of note that in determining social policy the medieval world attached great importance to the opinions of those whose concern was general and social, little to those whose concern was industrial and personal. We reverse the process. The men whose opinions counted in the Middle Ages were churchmen and scholars. Now the opinion of the business man, whose concern is particular and who knows only a tiny segment of social life, counts for everything. Small attention is given to the opinions of clergymen—even less to those of college professors, even to those whose specialty is the study of mankind in his economic and social relations.

contrary, that it has kept us from dissipating our resources in social experimentation and has established a system as good as we could expect under the circumstances. It may be that, had we but been free from its immediate pressure, we might have diffused economic as well as political power. Or it may be that industrial democracy was attainable only at the expense of general well-being. These raise interesting and important questions, but they are of ethical and prophetic import, and of them the tangles of the price-system tell nothing.

2. CAPITALIZATION AND VALUE

Thorstein Veblen: The Theory of Business Enterprise *
(pp. 114-118)

The typical (latest and most highly specialized) instrument of this [debenture] class is the preferred stock. This is in form a deed of ownership and in effect an evidence of debt. It is typical of a somewhat comprehensive class of securities in use in the business community, in the respect that it sets aside the distinction between capital and credit. In this respect, indeed, preferred stock, more adequately perhaps than any other instrument, reflects the nature of the "capital concept" current among the up-to-date business men who are engaged in the larger industrial affairs.

The part which debenture credit, nominal and virtual, plays in the financing of modern industrial corporations is very considerable, and the proportion which it bears in the capitalization of these corporations apparently grows larger as time passes and shrewder methods of business gain ground. In the field of the "industrials" proper, debenture credit has not until lately been employed with full effect. It seems to be from the corporation finance of American railway companies that business men have learned the full use of an exhaustive debenture credit as an expedient for expanding business capital. It is not an expedient newly discovered, but its free use, even in railway finance, is relatively late. Wherever it prevails in an unmitigated form, as with some railway companies, and latterly in many other industrial enterprises, it throws the capitalization of the business concerns affected by it into a peculiar, characteristically modern, position in relation to credit. When carried out thoroughly it places virtually the entire capital, comprising the whole of the material equipment, on a credit basis. Stock being issued by the use of such funds as will pay for printing the instruments, a road will be built or an industrial plant established by the use of funds drawn from the sale of bonds; preferred stock or similar debentures will then be issued, commonly of various denominations, to the full amount that the property will bear, and not infrequently somewhat in excess of what the property will bear. When the latter case

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occurs, the market quotations of the securities will, of course, roughly adjust the current effective capitalization to the run of the facts, whatever the nominal capitalization may be. The common stock in such a case represents "good will," and in the later development it usually represents nothing but "good will." The material equipment is covered by credit instruments—debentures. Not infrequently the debentures cover appreciably more than the value of the material equipment, together with such property as useful patent rights or trade secrets; in such a case, the good-will is also, to some extent, covered by debentures, and so serves as virtual collateral for a credit extension which is incorporated in the business capital of the company. In the ideal case, where a corporation is financed with due perspicacity, there will be but an inappreciable proportion of the market value of the company's good-will left uncovered by debentures. In the case of a railway company, for instance, no more should be left uncovered by debentures than the value of the "franchise," and probably in most cases not that much actually is uncovered.

Whether capitalized good-will (including "franchise" if necessary) is to be rated as a credit extension is a nice question that can apparently be decided only on a legal technicality. In any case so much seems clear—that good-will is the nucleus of capitalization in modern corporation finance. In a well financed, flourishing corporation, good-will, indeed, constitutes the total remaining assets after liabilities have been met, but the total remaining assets may not nearly equal the total market value of the company's good-will; that is to say, the material equipment (plant, etc.) of a shrewdly managed concern is hypothecated at least once, commonly more than once, and its immaterial properties (good-will), together with the evidences of its indebtedness, may also to some extent be drawn into the hypothecation.*

* The question of "stock-watering," "overcapitalization," and the like is scarcely pertinent in the case of a large industrial corporation financed as the modern situation demands. Under modern circumstances the common stock can scarcely fail to be all "water," unless in a small concern or under incompetent management. Nothing but "water"—under the name of good-will—belongs in the common stock, whereas the preferred stock, which represents material equipment, is a debenture. "Overcapitalization," on the other hand, if it means anything under modern business conditions, must mean overcapitalization as compared with earning-capacity, for there is nothing else pertinent to compare it with; and earning-capacity fluctuates, while the basis (interest rates) on which the earning-capacity is to be capitalized also fluctuates independently. In effect, the adjustment of capitalization to earning-capacity is taken care of by the market quotations of stock and other securities; and no other method of adjustment is of any avail, because capitalization is a question

W. C. Mitchell: Business Cycles * (pp. 32-34; 589-91; 599)

The large corporation, dominant in the business of to-day, is owned by a miscellaneous and shifting body of Stockholders. The funds required for fixed investment are usually provided in some measure by these owners, but in larger part by bondholders, who may or may not own shares as well as bonds. The chief pecuniary risks are borne by the shareholders, but ordinarily under provisions which limit their liability to the sums which they have put into their shares. The work of management is largely dissociated from ownership and risk. The stockholders delegate the supervision of the corporation's affairs to a committee—the directors—and the directors turn over the task of administration to a set of general officers. The latter are commonly paid fixed salaries, though they may receive in addition a percentage of the profits, or hold stock in their own right.

In such an organization it is difficult to find any one who corresponds closely to the capitalist-employer. Certainly the typical stockholder, who takes no part in managing the corporation beyond sending in his proxies to be voted at the annual meeting, does not fill the bill. Neither does the typical director, who confines such attention as he may give to the corporation's affairs to passing on questions of general policy, selecting officers, criticising or approving their reports, and the like. Finally, the general officers, dependent on the directors, remunerated largely if not wholly by salaries, and practising among themselves an elaborate division of labor, have no such discretion and carry no such risk as the capitalist-employer. The latter, in fine, has been replaced by a "management," which includes several active directors and high officials, and often certain financial advisers, legal counsel, and large stockholders who are

of value, and market quotations are the last resort in questions of value. The value of any stock listed on the exchange, or otherwise subject to purchase and sale, fluctuates from time to time, which comes to the same thing as saying that the effectual capitalization of the concern, represented by the securities quoted, fluctuates from time to time. It fluctuates more or less, sometimes very slowly, but always at least so much as to compensate the long-period fluctuations of discount rates in the money market which means that the purchase price of a given fractional interest in the corporation as a going concern fluctuates so as to equate it with the capitalized value of its putative earning capacity, computed at current rates of discount and allowing for risks

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neither directors nor officials. It is this group which decides what shall be done with the corporation's property.

In other cases, however, a single enterprise dominates the corporation, and wields full authority. The stockholders elect his candidates to office, the directors defer to his judgment, the officials act as his agents. His position may be firmly entrenched by outright ownership of a majority of the voting shares, or may rest upon personal influence over the owners of voting shares sufficient to carry elections. In these "one-man" corporations the theoretical division of authority and function becomes a legal fiction. Practically, the dominating head of affairs, who may not be an officer or even a director, corresponds to the old capitalist-employer, except for the fact that he furnishes a far smaller proportion of the capital, carries a far smaller proportion of the pecuniary risk, and performs a far smaller proportion of the detailed labor of superintendence. These limitations do not restrict, but on the contrary enhance his power, because they mean that the individual who "owns the control," or dominates those who own it, can determine the use of a mass of property and labor vastly greater than his own means would permit.

Thus, while the corporate form of organization has made a theoretical division of the leadership of business enterprises among several parties at interest, it has also made possible in practice a centralization of power. The great captains of finance and industry wield an authority swollen by the capital which their prestige attracts from thousands of investors, and often augmented still further by working alliances among themselves. Among the enterprises of the whole country, this small coterie exercises an influence out of proportion not only to their numbers but also to their wealth. The men at the head of smaller enterprises, while legally free to do as they will with their own, find their field of initiative limited by the operations of these magnates.

Nevertheless, within the past century, we have made incontestable progress toward mastery over the processes of the money economy. The Tulip Mania in Holland, the South Sea Scheme in England, and the Mississippi Bubble in France have no worthy rivals in recent decades. Even the speculative excitement which preceded the crisis of 1873 in the German states and in America has scarcely been equaled since 1890. By a combination of various agencies such as public regulation of the prospectuses of new companies, legislation supported by efficient administration against fraudulent promotion, more rigid requirements on the part of stock exchanges regarding the securities admitted to official lists, more efficient agencies for giving investors information, and more con-

servative policy on the part of banks toward speculative loans, we have learned to avoid certain of the rashest errors committed by earlier generations. Again, from hard experience, European banks at least have learned methods of controlling a crisis and preventing it from degenerating into a panic. The "integration of industry" has also done something, though less than is often claimed, toward steadying the course of business both by concentrating power in the hands of experienced officials, and by moderating the extreme fluctuations of prices.....

The advantage enjoyed by this small group of major financiers is not limited to superior opportunities for foreseeing approaching changes. In a measure they can control the events they forecast. This ability arises chiefly from the increasing centralization of power to grant or withhold credits. On the one hand, the rise of the great corporation has made the business enterprises of strategic importance dependent upon the metropolitan markets for loans and securities, rather than upon local banks and investors. On the other hand, the great banks, insurance companies, and investment houses which dominate the financial markets of New York, London, Paris, and Berlin have developed intimate relations with each other, and can be controlled by a few small coteries of financiers. To these men is therefore given a large measure over the granting of bank loans, the floating of new securities, and the prices of outstanding stocks and bonds. This power they can use, if they choose, to increase the stresses which prosperity breeds. If they lock up large sums of money, for example, they reduce the reserves of banks and precipitate the downward revision of credits with which a crisis begins. If they block corporations from raising loans needed to meet maturing obligations, they force the appointment of receivers, beat down the price of stocks, and create a sentiment of distrust which produces further consequences of its own.

What little is known of the "inside workings of high finance" indicates that this power has not yet been exercised with the ruthless efficiency of which it is susceptible. Doubtless many great business men would recoil from the idea of deliberately aggravating a crisis for their own gain. Moreover, the financiers who have most power over credit are often heavily interested in industrial enterprises, and fear to lose dividends in the period of depression which would follow a crisis. A third deterrent is the obsession of the dollar as a stable measure of value. So accustomed do business men become to treating the dollar as constant and imputing all changes in prices to fluctuations in the value of the goods quoted, that they do not readily grasp the money profit to be made out of changes in the general level of prices. Finally, even in the highest circles of

finance, centralization of power has not yet gone far enough to guarantee unanimity of action.

Among these deterrents from the effort to aggravate the fluctuations of business conditions, two at least seem to be losing their force. The increasing mobility of investments is making it easier for financiers to extricate their funds from industrial entanglements and put them into such form that a period of depression can bring no serious loss. And the continual fluctuations in the price level are ever demonstrating that dollars are shifting units, out of whose fluctuations profits may be made. It is therefore quite possible that financiers may exploit their opportunities for aggravating crises with greater energy in the immediate future than they have done in the recent past. . . .

Brief as it is, this statement of how business cycles react upon social well-being suffices to suggest the double personality acquired by citizens of the money economy. Money making for the individual, business prosperity for the nation, are artificial ends of endeavor imposed by pecuniary institutions. Beneath one lies the individual's impulsive activities—his maze of instinctive reactions partially systematized into conscious wants, definite knowledge, and purposeful efforts. Beneath the other lie the vague and conflicting ideals of social welfare which members of each generation re-fashion after their own images. In this dim inner world lie the ultimate motives and meanings of action, and from it emerge the wavering standards by which men judge what is for them worth while.

The money economy has not supplanted, but it has harnessed these forces. Upon human activity and human ideals it has stamped its own pattern. How it has facilitated the division of labor, how it has given a pecuniary twist to the desire for distinction, how it has shifted the basis of political power and given rise to new social classes—these results of the money economy are widely recognized. How it has taught men to think in terms of its own formal logic, efficient within certain limits but arid when pushed to extremes, has been partially worked out by writers like Simmel, Sombart and Veblen. How its technical exigencies subject economic activity to continual alterations of expansion and contraction this book has aimed to show in detail.

Subject as men are to the sway of pecuniary concepts and ideals they can still judge the workings of the money economy by more intimate and more vital standards. To make these latter standards clear, to show in what definite ways the quest of profits transgresses them, and to devise feasible methods of remedying these ill results, is a large part of the task of social reform. Economic theory will not prove of much use in this work unless it grasps the relations

between the pecuniary institutions which civilized man is perfecting, the human nature which he inherits from savage ancestors, and the new forces which science lends him. To treat money as an empty symbol which "makes no difference save one of convenience" is a habit exceeded in artificiality only by the habit against which it protests—that of treating money-making as the ultimate goal of effort.

*From "Report of the Commissioner of Corporations on
the Tobacco Industry," Part II, Capitalization,
Investment and Earnings, Sept. 25, 1911*

The very high rates of profit obtained by the Combination as a result of its monopolistic position have enabled it to pay dividends on a very excessive capitalization.

Repeated inflations of the securities of the Combination, moreover, have been extremely profitable to the stockholders and have resulted in the accumulation of enormous private fortunes. As shown in the body of the report, an investment in the common stock of the American Tobacco Company made at its organization in 1890 and held intact to the end of 1908 would have received in dividends (excluding the 100 per cent of stock at par in 1899) more than 400 per cent on the original amount. And in addition to this, the market value of the securities as they then stood (end of 1908), would have been 580 per cent in excess of the par value of the original securities. The dividends received in this period, the inflation of the securities, and the appreciation of their value in the market would, therefore, amount to nearly 1,000 per cent on the original investment. Even if the stock held had been exchanged for bonds of the Consolidated Tobacco Company in 1901, the dividends, interest, and excess of the market value of the securities would have amounted to 521.5 per cent of the original par value of the investment.

The results of the enormous inflation and appreciation in value of the securities and of the dividends paid are seen in a more striking way when the growth in the investment of one of the original concerns that entered the American Tobacco Company is considered. The W. Duke Sons & Co. business in 1885 was valued at \$250,000 and in that year capitalized at this figure (in 1878 at \$70,000). Without other additions than surplus earnings this business formed the basis, five years later, for the issue of \$7,500,000 of stock of the American Tobacco Company, \$3,000,000 preferred and \$4,500,000 common stock. This stock, partly as the result of the 100 per cent dividend on the common in 1899, partly on account of the issue of \$200 of bonds for each \$100 of common stock in 1901, and partly on

account of the readjustment of the securities in 1904, had increased in 1908 to securities of a par value of \$22,000,000. From 1890 to 1908, moreover, cash dividends and interest paid on the stock and bonds based on the Duke business amounted to \$16,732,500. The par value of the securities and the cash dividends to the end of 1908, therefore, amounted to nearly \$39,000,000, or 156 times the capitalized value of the Duke business in 1885. By taking the market value of the securities, the results would be practically the same.

This remarkable appreciation takes into consideration only the readjustments of the stock of the American Tobacco Company and the dividends paid thereon. The profits derived from the additional investment in the stock of the Consolidated in 1901, such profits going principally to a few inside interests, make the results still more startling. The dividends on this stock and, after the merger, on the common stock of the new American, into which it was converted, and the appreciation of its value amounted in the short period 1901-1908 to 360 per cent on the par value of this additional investment.

These enormous profits resulting from the inflation of the securities and the dividends paid thereon rest, in their ultimate analysis, upon the monopolistic advantages obtained in this industry through concentration of control.

Summary of the Report of the Federal Trade Commission on the Meat Packing Industry, July 3, 1918

There is no doubt that the packers' profits, particularly since the beginning of the European war, have been enormous, both in the United States and in foreign countries. Measured by pre-war profits, the 1917 profits (exclusive of Armour's foreign profits, inclusive of only part of Swift's South American profits) were 350 per cent greater than in the average of the three years before the European war; measured by the amount of sales, they advanced, in 1917, 4.6 cents on the dollar, which was sufficient to produce for the five companies a total profit of \$96,182,000; measured by the net worth of the combined corporations (capital stock plus surplus), they averaged, in 1917, 21.6 per cent; measured by the capital stock outstanding, as an indication of the dividend possibilities, they averaged in 1917, 39.5 per cent; and measured by the packers' actual investment of new capital, they amount to several times even this last figure.

All these are minimum figures for the reason that the packers' accounts are so constructed that they conceal profits rather than reveal them.

3. PROFITS

65th Congress 2d Session, Senate Document No. 259

Letter from the Secretary of the Treasury, William G. McAdoo, transmitting in response to a Senate Resolution of June 6, 1918, certain facts, figures, data, and information taken from 1916 and 1917 income and excess profits tax returns of corporations to the Treasury Department, dated July 5, 1918—Extract:

The information submitted herewith in response to the first paragraph of the resolution was obtained from the income and excess profits returns of 31,500 of a total of approximately 55,000 corporations in the United States which, in the calendar year 1917, earned 15 per cent or more on their capital stock. The corporations included in this list are believed to be representative, as some are included from each of the major groups and most of the minor groups representing the various recognized industries, trades and occupations comprising the business activities of the country.

Report of Federal Trade Commission Regarding Profiteering, June 29, 1918

TO THE PRESIDENT OF THE UNITED STATES SENATE.

Sir: The Federal Trade Commission submits the following report in response to the direction under Senate resolution 255 that it furnish the Senate with any and all facts, figures, data, or information now in possession of the Federal Trade Commission relative to profiteering which would in any way enable Congress to deal with the matter either through the present proposed resolution or through enactment of more effective criminal statutes.....

STEEL

In 1917, the steel companies made abnormal profits in the period prior to the Government price-fixing policy, and a number have continued to make unusually heavy profits since that policy was inaugu-

rated. In finding cost in this industry for the War Industries Board, the commission divided the steel makers into four groups: (1) The fully integrated mills, (2) the mills which start with the manufacture of pig iron, (3) the mills that start with steel furnaces, and (4) the mills that make rolled products from purchased semifinished steel. The United States Steel Corporation is included in class one. Its profits expressed in terms of the total amount invested in the business show net earnings as follows:

	Per cent		Per cent.
1912.....	47	1915.....	52
1913.....	57	1916.....	15.6
1914.....	28	1917.....	24.9

The figures, as to the net income of the Steel Corporation, as shown by the company for the years of 1912, 1913, 1914, 1915, 1916, and 1917, before deducting Federal income and excess-profit tax in 1917, follow:

1912.....	\$77,075,217	1915	\$97,967,962
1913.. ..	105,320,691	1916	294,026,564
1914.	46,520,407	1917	478,204,343

The Federal income and excess-profit taxes of the Steel Corporation for 1917 were \$233,465,435, which leaves from net income \$244,738,908, of which about one-tenth was applicable to interest on bonds of the corporation and the rest available for dividends and surplus.

From information in possession of the commission mills in class 2 appear to have made heavy profits in 1917. Recently, mills in class 3 made objection that the Government prices were too low for them. A special examination of their profits by the Federal Trade Commission showed that in almost every case these objecting mills were enjoying unusual returns. The following table of percentage of return on investment in 10 mills in class 3 will show the profits in 1917:

Alan Wood, Iron & Steel Co	52 63
Allegheny Steel Co	78 92
American Tube & Stamping Co	40 03
Central Iron & Steel Co	71 35
Eastern Steel Co	30 24
Forged Steel Wheel Co	105 40
Follansbee Bros. Co.. .. .	112 48
Nagle Steel Co.. .. .	319 67
West Penn Steel Co.. .. .	159 01
West Leechburg Steel Co.....	109.05

Mills in class 4, which buy the semi-finished steel and convert it into the more highly developed steel products, have enjoyed substantial profits.

COPPER

Very large earnings have been made in the copper industry on the whole, although it should be noted that they have been due in part to an unusually heavy demand for this metal, which is used almost exclusively for war purposes, directly and indirectly. The commission's figures show that 21 companies, including a large proportion of high-cost companies, made profits in 1917 which ranged from 1 per cent to 107 per cent on their investments. The average profit was 24.4 per cent. Probably over 70 per cent of the production is marketed at profits over 20 per cent on investment. These same companies show an average profit of only 11.7 per cent in 1913, which may be considered to be a normal year. Thus, the average profit in the industry has more than doubled. The range of profits in 1913 was from 1 to 56 per cent.

The profits used in these computations do not include Federal income or excess-profits taxes, and therefore represent sums actually retained by the companies for addition to surplus or dividends.

There does not appear on the whole to have been any concerted action in this industry in putting prices up in the first instance. The war scramble among the Allies shot the prices of copper and other metals to almost unheard-of levels. But there are certain strong interests among the producers and marketers which predominate in certain stages of production, and these appear to have taken steps to maintain prices at unnecessarily high levels. In the first place, the smelters, and notably the American Smelting & Refining Co., have continued to hold in force certain deductions for risk of carrying copper bought from mines, which risks have ceased to exist. These deductions were put in force during the early period of the war before price was fixed by agreement with the War Industries Board. Their present maintenance amounts to profiteering at the expense of the miners, especially the small producers. On the other hand, some of the larger and richer mines have contracts, entered into before the war, running for periods as long as 20 years, which are extremely advantageous to them and which are now causing some refineries to operate at a loss.

LUMBER

Information in the commission's possession does not indicate any excessive profits in the lumber industry on the west coast, although

it is understood that producers of aeroplane spruce in that region have in the past taken advantage of Allied governments. Information in the commission's possession does indicate unusually and unnecessarily large profits on the part of the southern pine producers. Forty-eight southern pine companies, producing 2,615,000,000 feet of lumber in 1917, made an average profit on the net investment of 17 per cent. This is unusually large for the industry, as is indicated by the fact that the average profit in 1916 was only 5.2 per cent. In 1917, 47 per cent of the footage of the companies covered was produced at a profit of over 20 per cent. The range of profits was from a small loss to over 121 per cent on the net investment.

The margin of profit per thousand board feet in 1917 was nearly double that in previous years, the figure being \$4.83, as compared with \$2.11 in 1916. A fair margin per thousand feet in the past has been recognized as being \$3.

These figures for 1917 are the more notable for the reason that the profits shown do not include any payments of Federal income and excess-profits taxes, but are the sums actually available for additions to surplus or dividends. Information secured from the companies concerning their dividends and income taxes supports the preceding statements.

COAL

Generally speaking, the bituminous coal operators in 1917 had very much larger margins than in previous years. While in 1916 the margins (what operators actually received for coal sold over f. o. b. mine cost) may be regarded in some cases as lower than normal, yet the margins of 1917 were often two or three times the normal return. In the figures for 1916 and 1917 mentioned below return on investment must be covered in margins shown. The increase of margins is illustrated by an examination of the returns for 1916 and 1917 of 23 typical bituminous coal companies in the central Pennsylvania field. The average margin of these companies in 1916 was 20 cents per ton, and in 1917 was 90 cents. The highest margin for any company of the 23 in 1917 was \$1.85. The corresponding margin for this company in 1916 was 41 cents. Similarly the lowest margin for any of these companies in 1917 was 27 cents, the corresponding margin for the same company in 1916 being 13 cents.

Maximum coal prices f. o. b. mines were authoritatively fixed August 21 to 23, 1917, by Executive order, and subsequently modified by the Fuel Administration. Contracts made before that time were not invalidated. In some fields as high as 90 per cent of possible production was sold under contract prices. While some

contracts were below legal maximum price, probably much the greater part of the coal sold under contract went at prices substantially in excess of legal maximum prices fixed for current sales.

April realizations contain relatively little coal sold on contracts made prior to August 21, since most such contracts expired April 1, 1918. Sample reports for April operations, covering 12,619,274 tons actually mined in West Virginia, Pennsylvania, Ohio, Indiana, Illinois, and Kentucky show an average margin between claimed f. o. b. mine cost and actual realization from sales of about 54 cents, as against a pre-war margin of an average of 10 to 15 cents.

In anthracite the average receipts per ton, including all sizes, during the year 1914 (13 companies, producing 79 per cent of the total tonnage in 1916), were \$2.86 per ton. The average receipts per ton of anthracite, including all sizes, allowing for later obligatory summer discounts on prepared sizes, during the period January-March, 1918 (6 companies, producing 50 per cent of the tonnage in 1916), were \$4.26 per ton. The average labor cost increase per ton since 1914 was \$0.76, and if this is deducted from the 1918 average receipts per ton an increase of \$0.64 per ton (or 22 per cent) in average receipts is indicated, without allowance for increased cost of supplies and general expense.

In connection with the distribution of coal it may be pointed out that prior to the official regulation of jobbers' and of retailers' margins in August, 1917, there was evidence that many of the margins were unduly high when compared to the pre-war margins. Details can be found in the Report of the Federal Trade Commission on Anthracite and Bituminous Coal, June 20, 1917. Since the regulation was established most of the jobbers' transactions have been carried on within the fixed margin, and whenever violations have been detected the jobbers have been forced to refund the overcharges. It should be understood that jobbers' and retailers' margins do not represent net profits alone, but also include all expenses incurred by them from the time coal is purchased until it is sold.

PETROLEUM AND ITS PRODUCTS

The data secured by the Federal Trade Commission for 106 refining companies for the first quarter of 1918, supplemented in certain cases by returns for the second six months of 1917, indicate that the average profit in the oil industry is about 21 per cent on the investment. This is a considerable increase over the rate of profits indicated for pre-war years, as the commission's gasoline report indicates an average profit for the years 1913, 1914, and 1915 of 15

per cent on the investment. In 1917 over 50 per cent of the estimated production was produced by companies having a profit of over 20 per cent on the investment. Rates of profit ranged from losses up to 122 per cent.

The profits of the eastern refiners have been relatively larger than those on the Pacific coast. The situation in the East is due to the fact that while gasoline prices have been but slightly advanced, the prices of other products have been increased greatly, especially the price of fuel oil. The public knows little about prices except the price of gasoline and to a less extent kerosene. Formerly refineries operated for the sake of the gasoline almost exclusively, and fuel oil was commonly sold at a loss, but now fuel oil is a very profitable product.

The following table will show the per cent of net earnings on investment for a series of years. The earnings for 1918 are estimated on the basis of the second six months of 1917 or the first quarter of 1918.

	1913 ¹	1914 ¹	1915 ¹	First quarter, 1918	1918 ² (est- imated)
Atlantic Refining Co	16 4	- 3 7	21 7	\$15 0	+30 0
Standard of Indiana	36 5	14 5	36 0	\$21.7	+43 3
Standard of New Jersey	9 7	7 8	20 6	\$9 1	+18.2
Standard of New York	21 2	8 1	16 0	\$6 6	+13 3
Standard of Ohio	23 4	13 8	23 9	\$14 3	+28.3
Standard of Kansas	91 6	1 0	17 9	\$25 6	+51 3
Magnolia Petroleum Co	19 2	16 5	14 2	4 4	+17 0
Standard of California	16 8	12 5	10 6	6 5	+25 9
Continental Refining Co.	1 6	- 7 8	3 3	1 2	+ 4 7
Empire Oil Works	4 4	- 3 1	5 6	7 3	+63 1
Penn American Refining Co	35 3	13 3	12 3	15 8	+29 2
Cosden & Co. . . . .	.	30 6	-50 7	5 9	+23 5
Muskogee Refining Co	8 7	6 9	18 8	6 2	+24 8
National Refining Co.	24 9	8 0	20 4	2 3	0 2
The Texas Co	17 1	13 3	12 7	\$13 3	26 7

¹ See pp 108-209 of Report on the Price of Gasoline in 1915.

² Estimates based on figures for last six months of 1917 or first quarter of 1918

³ Six months period, July-December, 1917

⁴ Last six months of 1917.

MEAT PACKING

An exposition of the excess profits of four of the big meat packers (Armour, Swift, Morris, Cudahy, omitting Wilson as not comparable) is given in the fact that their aggregate average pre-war profit (1912, 1913, and 1914) was \$19,000,000, that in 1915 they earned \$17,000,000 excess profits over the pre-war period; in 1916, \$36,000,000 more profit than in the pre-war period; and in 1917, \$68,000,000 more profit than in the pre-war period. In the three war years from 1915 to 1917 their total profits have reached the

astounding figure of \$140,000,000, of which \$121,000,000 represents excess over their pre-war profits.

These great increases in profits are not due solely to increased volume of business. The sales of these companies in this period increased 150 per cent, much of this increase being due to higher prices rather than to increased volume by weight, but the return of profit increased 400 per cent, or two and one-half times as much as the sales.

The profit taken by Morris & Co. for the fiscal year ended November 1, 1917, is equal to a rate of 18.6 per cent on the net worth of the company (capital and surplus) and 263.7 per cent on the three millions of capital stock outstanding. In the case of the other four companies the earned rate on common capital stock is much lower—from 27 per cent to 47 per cent—but the reason for this is that these companies have from time to time declared stock dividends and in other ways capitalized their growing surpluses. Thus Armour in 1916 raised its capital stock from twenty millions to one hundred millions without receiving a dollar more of cash. If Swift, Wilson, Cudahy, and Armour had followed the practice of Morris in not capitalizing their surpluses (accumulated from excessive profits), they too would now show an enormous rate of profit on their original capital.

Rates of profit earned by these five companies in war years compared with the pre-war average, based on net worth (capital and surplus) and on common stock, are as follows:

Actual profit on net worth	Armour	Swift	Morris	Wilson	Cudahy.
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent.</i>	<i>Per cent</i>
Pre-war average, 1912-14	6 2	8 3	6 8	(1)	7 3
War average, 1915-1917	14 6	21 0	13 5	(1)	14 1
Year 1917	216 8	26 7	18 6	23 8	18 7
Rate on common stock, 1917. .	227 1	47 2	263 7	42 5	47 0

¹ Figures not available

² Foreign business not included would undoubtedly raise percentages

The independent packers, as measured by results compiled for 65 of the largest of them, earned during 1914, 1915, and 1916 a rate of profit as high or slightly higher than that earned by the big packers in those years. The profits of these independent companies for 1917 are not as yet available.

LEATHER AND LEATHER GOODS

During the year 1917 a large proportion of the tanners in the United States made unusual profits. As the commission reported in

January last, reports of a number of the larger companies show that net profits in 1916 were in several instances two, three, four or even five times as large as in 1915, and the 1915 net profits in turn showed increases of from 30 per cent to more than 100 per cent over those of 1914. One striking instance is a company whose net profits were reported as follows:

1914	\$644,390.90
1915	" 945,051.37
1916	3,576,544.27

The tanners took advantage of the enormous demand for leather and took very high prices. During 1917 the prices of hides, particularly packer hides, were advanced very rapidly, notwithstanding that during the period of advance great supplies of hides were withheld from the public.

Many shoe manufacturers in 1917 made larger profits than usual. Wholesale shoe dealers secured wider margins of profit in 1917 than they had been accustomed to receive. The margins of retail shoe dealers widened greatly during 1917, especially upon fancy shoes. This was true to a less extent on staple shoes. It appears that the retailer has profited more in proportion than the wholesaler.

As an indication of earnings of the big packers in the selling branch of their leather business the following is quoted from a letter of January 17, 1917, by the Eastern Leather Co., an Armour selling subsidiary, to Mr. F. W. Croll, of Armour & Co.:

We are inclosing our check on the National City Bank, New York City, payable to Mr. J. Ogden Armour, for \$915,787, same being a dividend of 53 per cent. on the 17,279 shares of common stock standing in his name. In addition to this, and in accordance with our conversation when in Chicago, we have set aside as a surplus \$250,000, which represents 10 per cent. on the common stock.

We are also inclosing a check on the National City Bank for \$202,145.62 payable to Mr. Armour, this being the balance due on 6,020 shares of common stock held for employees.

Here is a memorandum of May 15, 1917, from J. D. Murphy to Mr. H. W. Boyd, president of the Armour Leather Co.:

May 15, 1917.

Mr. H. W. BOYD:

Herewith comparative statement of results in the leather business for the three months ending April 28, showing earnings of \$1,964,945.18. This does not include Woodstock, as we have not finished

enough of our own leather up there to make a loss and gain result of any value as indicating the possibilities of the plant.

As per Mr. Armour's instructions, given through Mr. Stull, we are charging off in reduction of the above the following reserves

Earnings as above	\$1,964,945.18
Reserve for income tax, 3 months ending Apr. 29, 1917	\$36,915 61
Reserve for estimated excess-profits tax, 6 months ending April 28, 1917	423,620.84
	<hr/> 460,536 45

Net earnings	\$1,504,408 73
	J D. MURPHY.

Here is another letter, in which Mr. H. W. Boyd writes Mr. Armour comparing the results of the Armour Leather Co. with the Central Leather Co.'s statement:

October 31, 1917.

DEAR MR. ARMOUR.

In reference to the Central Leather Co.'s statement, would say that it does not compare favorably with ours. You will notice that after deducting interest and dividends they only have \$40,000 to add to the surplus. We made \$600,000 and they are doing four times the amount of business and only made \$1,900,000, and as stated above, after deducting interest on the bonds and paying dividends they only had \$40,000 left to add to their surplus

I think, considering their lumber business, which is wonderful (the manager of the Pennsylvania Lumber Co told me that they never expected to realize the profits they were making on hemlock lumber, and that they were doing an enormous business), that our statement is a great deal better than theirs.

Yours truly,

H. W. BOYD.

Mr. J. OGDEN ARMOUR, *City Office*.

The way in which Swift & Co. proceeds when a Government limitation of profits is expected is shown by the following letter, in which Louis F. Swift writes to his brother, Ed. F. Swift, stating that he has learned that the Government expects to establish profit control in the leather industry and suggesting the advisability of reappraising their properties in certain companies. Edward F. replies:

I approve, if done quietly and promptly.

E. F. S.

The letter with marginal direction is as follows:

GOVERNMENT CONTROL—LEATHER COMPANIES.

Chicago, November 26, 1917.

Mr. EDWARD F. SWIFT, *Second floor.*

We have had a virtual statement from Mr. Cotton that the Government expects to establish profit control in the leather industry. With this notice, I think we should at least consider the advisability of re-appraising the properties of the following companies: A. C. Lawrence Leather Co., National Calfskin Co., Winchester Tannery Co., St. Paul Tannery Co., Ashland Leather Co., St. Joseph Tanning Co. (in which we have only 50 per cent. ownership).

If it is agreeable to you, will arrange with Mr. Moon to go into the matter and submit figures. Awaiting your reply,

LOUIS F. SWIFT.

FLOUR

The flour millers have had unusual profits for considerably more than a year. Information collected and verified by the commission shows that for the four years ending June 30, 1916, a profit of $13\frac{1}{2}$ cents on each barrel of flour and 12 per cent on the capital investment. These figures came from accounts covering nearly 40,000,000 barrels output annually. This is somewhat less than 40 per cent of the annual output of the whole country but a very much larger part of the flour sold in the regular commercial market.

In other words, these figures apply to mills that in large part supply the demand for flour in interstate commerce and for export. The years covered 1913-1916, and should probably be accepted as fairly representative in spite of the fact that the war demand in 1915 and 1916 would lead one to expect them to show an abnormally high profit.

In the year ending June 30, 1917, these same mills made an average of 52 cents on each barrel of flour sold, and nearly 38 per cent on their investment, profits that are indefensible, considering that an average of the profit of one mill for six months of the year shows as high as \$2 per barrel.

The commission has tabulated returns covering the sale of something over 4,000,000 barrels of flour made and sold under the Food Administration's regulations from September, 1917, to March, 1918, inclusive. In face of the regulation of 25 cents per barrel maximum, the average profit per barrel on this flour was about 45 cents or over three times the normal profit per barrel referred to above. The return on investment was apparently between 25 and 30 per cent. However, with prices maintained at the same level, cost would

probably have increased and profit would have been somewhat reduced in April, May, and June, 1918, because of the smaller output in those months. The average net profit of jobbers reporting to the commission was about 15 cents per barrel for 1913 and 1914, but increased to nearly 50 cents in the first half of 1917. These profits include all the pay received by the proprietors of the business for their services. It is clear that if the profit above such pay was reasonably high in 1913 and 1914, it was exorbitant in the first half of 1917. The Food Administration has succeeded in reducing the profit of these concerns, but for the year 1917 it was still over twice as high as in the earlier years....

SALARIES AND BONUSES

Below are given the payments in salaries and commissions which were made in 1917 for services rendered by the American Metal Co. (Ltd.), New York. These payments are reported as being made exclusively for services in their capacity as described below, and charged in all cases to expense account:

Salaries and Commission.

OFFICERS AND MANAGERS.

Name of Payee	Address	Position.	Total Payment
B. Hochschild	61 Broadway, New York	Chairman of board of directors	\$179,663.36
C. M. Loeb	do	President	364,326 73
Otto Sussman	do	Vice president, chief mining department	221,596 04
J. Loeb	do	Vice president, chief sales department	147,930 69
T. Sternfeld	126 West Seventy-fourth Street, New York	Director and treasurer to June 30, 1917.	86,342 90
Henry Bruere	61 Broadway, New York	Vice president	82,810 23
Julian B. Beaty	do	Director and treasurer since June 30, 1917	77,710.23
H. K. Hochschild	do	Vice president, chief South American department	51,810 23
H. V. Putzel	do	Director and chief of zinc ore department.	52,710 23
M. Roos	do	Cashier and custodian of securities	79,068 35
S. Adler	do	Chief auditor and accountant	79,068 35
H. Bernstorff	do	Chief, ore department	52,410 23
Sol Roos	1625 Boatmen's Bank Building, St. Louis, Mo	Manager, St. Louis office	148,530 69
M. Schott	825 A. C. Foster Building, Denver, Colo	Manager, Denver office.....	136,553.12
Wm. Simon	1625 Boatmen's Bank Building, St. Louis, Mo	Assistant manager, St. Louis office	38,155.11

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Salaries and Commission—Continued. MANAGERS AND EMPLOYEES.

Name of Payee.	Address	Position	Total Pay- ment
W. E. Brady .	61 Broadway, New York.	Manager of transportation department (now A. M. Metal Transportation Co.)	\$11,800 00
W. H. Brady	do	Assistant cashier	9,300 00
H. N. Burkey	do	Metallurgical department	5,200 00
M. Fauquembergue	do	Chief clerk sales department	9,300 00
John Fornlinne	do	Assistant traffic manager	7,400 00
Gustav Leers	do	Traffic manager	9,150 00
B. F. Philipson	do	Assistant manager ore department	9,600 00
E. T. Villareal	do	Manager foreign metals department	12,200 00
Hans Schild	do	Bookkeeper	6,190 00
Wm. Weidowke	do	Clerk zinc-ore department	5,850 00
John MacLetchie	do	Auditor for subsidiary corps	12,800 00
B. N. Zimmer..	2287 Henry Oliver Building, Pittsburgh, Pa.	Manager Pittsburgh office and Langeloth Works.	10,800 00
H. L. Brown..	825 A. C. Foster Building, Denver, Colo.	Mining engineer, Denver, office	6,350.00
F. D. Weeks	Canandaigua, N. Y.	Chief manager engineer (resigned)	23,500 00
C. E. Kayser ..	406 First National Bank Building, Bartlesville, Okla.	Manager gas operations	7,000 00

The foregoing is as complete a reply to the Senate's question as the commission has been able to prepare during the time at its disposal. It must be stated that the instances cited are by no means a complete catalogue.

All of which is in support of the statement of the President, when, in his address to a joint session of Congress on May 27, 1918, he said:

The profiteering that can not be got at by the restraints of conscience and love of country can be got at by taxation. There is such profiteering now, and the information with regard to it is available and indisputable.

THE FEDERAL TRADE COMMISSION,
WILLIAM B. COLVER, *Chairman*,
JOHN FRANKLIN FORT, *Vice Chairman*,
VICTOR MURDOCK.

IV. THE DIRECTION OF INDUSTRY

1. THE WAGE SYSTEM AND INDUSTRIAL POWER

G. D. H. Cole: Self-Government in Industry *
(pp. 154-7, 163, 170-3, 177-8, 185)

THERE are four distinguishing marks of the wage system. . . .

1. The wage system abstracts "labor" from the laborer, so that one can be bought and sold without the other.

2. Consequently, wages are paid to the wage-worker only when it is profitable to the capitalist to employ his labor.

3. The wage-worker, in return for his wage, surrenders all control over the organization of production.

4. The wage-worker, in return for his wage, surrenders all claim upon the product of his labor. . . .

I want now to turn to the examination of the first of the four diseases which afflict the industrial system, and to the remedies proposed. It is the essence of wage-slavery that it abstracts labor from the laborer and countenances traffic in labor while it no longer permits traffic in men.

There was a time when this abstraction seemed to those who fought to bring it about the realization of human freedom and equality. No longer, they proudly proclaimed, could man be treated as a commodity, devoid of rights, to be bought and sold in the market for a price, and to be owned and controlled absolutely by his lord and buyer. The world put away chattel-slavery as an unclean thing, and in name made all men equal before the law. But it did not make the law itself equal before men; nor could it make men equal before capital.

To chattel-slavery, therefore, succeeded "the economy of wages," forerunner of the "economy of high wages." The employing class easily reconciled itself to the loss of ownership over men, when it found the hiring of their labor a cheaper and more efficient instrument for the making of profits. The landlord readily acquiesced in the emancipation of the serf when he saw that thereby he escaped the responsibilities of land holding, and gained his freedom to exploit his land at will. In short, under chattel-slavery and serfdom the ownership of capital and labor was in the same hands; for the

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rich man effectively owned both land and capital, labor and the laborer. The wage-system has changed all that by divorcing the ownership of land and capital; for it has left capital in the hands of the few, and has made of the many a class that possesses nothing save its own labor. . . . They who own both capital and the laborer exercise an indisputable control over both: they who own only labor must sell their labor to the owners of capital; they who own capital continue to control, though not to own, the laborers. There is, therefore, no way out of the wage system by a mere reuniting of labor and the laborer; the only way out is for the laborer to secure control of capital as well as labor. . . .

The inevitable result of the divorce of ownership of labor and capital has been the loss of security by the wage-earner. Speaking broadly, the slave was secure; his job was continuous, and his master was obliged to maintain him in employment and in unemployment, in sickness and in health. This security, which was a security without rights based upon the denial of freedom, the wage-system swept away. For an actual security based upon bondage it substituted a no less actual insecurity based upon an incomplete personal freedom. Our problem to-day is that of reestablishing security without reinstituting virtual chattel-slavery. . . .

The workman must get security, not as an employee of such and such a factory, but as a member of the industry in which he works. This is the path of industrial autonomy; and, if this is followed, it will be a long step toward the abolition of the wage-system, though it will not by itself abolish that system. Ultimately, the control of employment and unemployment, and complete responsibility for the workers in sickness and in health, must pass to the Guilds; but the most we can hope for at present is a system in which the worker's right to security is recognized, and in which, without any sacrifice of freedom, he plays a controlling part in the administration of the means to that security. . . .

Now, capitalists to-day enjoy rent, interest and profits by virtue of their control over two spheres of industrial activity, production and exchange. The former, which is the control of the productive processes, is the subject of this section; the latter, which is the control of raw material and the finished product, will be dealt with in the next section of this chapter. In both spheres capitalist control is largely exercised through others. These others are the management, sometimes pure salary-earners, sometimes also profit-sharers on commission, or share-holders in the business. At present, these managers, of all grades from foremen up to the great managing directors of huge combines, are the servants of the capitalist class,

who do their bidding, and maintain in their interest the autocratic control of industry. . . .

This means that, before capitalism can be overthrown, there must be wrested from it both its control of production and its control of exchange. This done, the abolition of its claim to rent, interest and profits will follow as a matter of course.

The obvious striking point for labor to-day is the workshop. The assumption by the trade unions of workshop control would not destroy rent, interest and profits, but it would be a shrewd blow struck at the roots from which they spring. This is its fundamental import for labor at the present time.

I come now to what is, I confess, by far the most difficult of the tasks which Labor must accomplish if a free Society is to replace the wage-system. It will not be easy for Labor to secure control of production; but it will be far more difficult for it to secure control of the product. . . .

Capitalist control of the product has three principal aspects. It is expressed in the financial system by which the great investors and syndicates regulate the flow of capital; in the control of raw materials—buying; and in the control of the finished product—selling. Investing, buying and selling, even more than producing, does capitalism lay waste Society. . . .

First there are the great capitalists, or owners of money power. Sometimes these capitalists confine their operations to a single industry, sometimes their operation extends over many industries, sometimes they are pure financiers, whose relation to industry is indirect, sometimes they are merchants, whose sole business is buying and selling.

Secondly, there are the small employers, capitalists too, but not powers in the financial sphere. These men are mainly producers, or smaller merchants, managing, as a rule, their own businesses, and striving to extract a profit for themselves.

Thirdly, there are managing directors, associated with big businesses, industrial, commercial or financial, but not themselves owning any great share in the capital which they manipulate.

The economic world is increasingly dominated by the first of these classes. The financier, with capital to invest, is the supreme power behind the capitalist throne. In industry, where large scale production is the rule, the great industrialist increasingly dominates the smaller employer; where small-scale production continues, as in the woolen industry, the merchant is supreme, and constantly subordinates the interests of the producing employers to his own. . . .

In any case, whether the employer originally confronted be large or small, dependent or independent, Labor will sooner

or later find itself confronted with "big business." It will have nominal control of the workshops, and, in some cases, of the works as well; but it will find itself, as the smaller employers are finding themselves to-day, still subject to the dominion of the big industrialists and merchants, who control the raw materials of industry, and the disposal of the finished product.

*Judge E. H. Gary: Commencement Address at Trinity College, Hartford **

"Fortunately the large majority of wage earners cannot be influenced by considerations that are base or unreasonable. This is especially true in the United States.

"It may be useful to bear in mind that in trying to arrive at a wise and just conclusion regarding the rights of the workmen, the interests of four general groups must be considered, viz.: Labor, capital or employer, the consumer, and that part of the general public not included in the divisions specifically mentioned. None of these should be overlooked, each must be fully protected within reason and justice. . . . Whenever labor receives increases in wages, or other pecuniary advantages, the amount must be charged to and paid by the consumer, provided capital is not receiving more than it is entitled to receive. Consequently the question of selling prices or wages in many cases practically relates only to the laborer and the consumer. In estimating the cost of production from the raw material it should be borne in mind that 85 or 90 per cent of the total is confined to the sum paid for labor. If capital or labor is receiving a larger return than it ought to have the excess is provided by the consumer in paying improper prices. There should always be maintained a fair and reasonable equilibrium, taking into account all the circumstances. . . .

In considering the relationship between employers and employees the welfare of the latter is of the highest importance, not alone because it is right, though that is reason enough, but also because it is for the benefit of the employers themselves. These groups are associated for mutual profit. They succeed or fail together. Each has obligations and responsibilities. They are not and should not be considered partners in the sense of being entitled to the control of the business in question or to participate in the return on the capital invested, except to the extent of contribution by each to such capital, for otherwise one would share in benefits without sharing in the hazard of investment. Prospective profits furnish the incen-

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tive to embark in enterprise and to risk capital. To the extent this is removed or hampered to a corresponding degree will capital be withheld or diverted and economic activity diminished.

But there are many things the employee is justly entitled to. There is due him fair and reasonable compensation, depending upon all the circumstances surrounding the employment. The times, places, services, and results of operation are important to be considered. Necessarily and properly the question of supply and demand is, and always will be a factor in determining prices of labor, as it is in dealing with commodities. This is elementary and healthy; but there are other things of equal importance. When there is a well grounded doubt in regard to wage rates it should be resolved in favor of the employee.

The workmen ought in some form to be offered opportunity to invest on favorable terms in the business inaugurated by the employer. This encourages thoughtful attention and endeavor to economize and save. It makes the wage earner an actual partner in the business of the concern with which he is associated, a real capitalist. . . .

Every employee should have the chance to progress from one position to another, depending upon his merits. The average workman does not wish to remain in the lower grades of employment or to bring to this level others filling better positions. He desires full and fair opportunity to occupy higher and still higher places, based on efficiency and faithfulness.

Federal Commission on Industrial Relations, Final Report, 1915

Mr. John H. Walker, President of the Illinois Federation of Labor: "A workingman is not supposed to ask anything more than a fair day's wage for a fair day's work; he is supposed to work until he is pretty fairly tuckered out, say eight hours, and when he does a fair day's work, he is not supposed to ask for any more wages than enough to support his family, while with the business man, the amount of labor furnishes no criterion for the amount they receive. People accept it as all right if they do not do any work at all, and accept it as all right that they can get as much money as they can, in fact, they are given credit for getting the greatest amount of money with the least amount of work; and those things that are being accepted by the other side as the things that govern in every day life, and as being right, have brought about this condition, this

being in my judgment absolutely unfair; that is, on the merits of the proposition in dealing with the workers.

The workers feel this, some unconsciously and some consciously, but all of them feel it, and it makes for unrest, in my judgment, and there can be no peace while that condition obtains."

2. ABSENTEE OWNERSHIP

Report of President's Mediation Commission to the President of the United States, January 9, 1918

*Signed by W. B. Wilson, Secretary of Labor of United States;
Ernest P. Marsh, Verner Z. Reed, Jackson L. Spangler, John H.
Walker, Felix Frankfurter, Secretary and Counsel; Max Low-
enthal, Assistant Secretary.*

About 28 per cent of the total copper output of the United States is produced in the four copper districts of Arizona dealt with by the commission. In the early autumn of 1917 strikes became widespread in these centers, resulting, through the total and partial shut down of the mines extending for a period of over three months, in a loss of 100,000,000 pounds of copper. . . .

. . . Distant ownership, wholly apart from its tendency to divorce income from the responsibility for the conditions under which it is acquired, creates barriers against the opportunity of understanding the labor aspects, the human problems, of the industry, and solidarity of interest among the various owners, checks the views of any one liberal owner from prevailing against the autocratic policy of the majority. The resident management of the mines is wholly traditional in its effect, however sincere its purpose. The managers fail to understand and reach the mind and heart of labor because they have not the aptitude or the training or the time for wise dealing with the problems of industrial relationship. The managers are technical men, mining engineers of knowledge and skill. There is no responsible executive whose sole function it is to deal with labor problems. In fact it has hardly begun to be realized that labor questions call for the same systematic attention and understanding and skill as do engineering problems. . . .

*Samuel Untermyer: Address before American Bank-
ers Convention, 1918 **

. . . The ownership of these [railroad] properties does not rest to any extent in the hands of their officers and directors. I

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venture to say that all of them do not own anything like as much as one per cent of the securities of the roads they are administering. The ownership of the remaining ninety-nine per cent and upwards is scattered among 50,000,000 people or about one half the population of the country, distributed approximately as follows:

There are more than 33,000,000 industrial and agricultural workers in the United States to whom solely and directly belong the railroad securities that are held by the industrial life insurance companies that have outstanding policies held at by that number of human beings (unduplicated) against death and casualty; there are additional life insurance policies held by well upwards of 3,000,000 people for larger sums, in what are known as the "old line" life insurance companies such as the Mutual, New York, Equitable, Home, Connecticut, Northwestern, etc. All of these are now mutual companies. No one other than the policy-holders has any interest in them. These companies hold billions of dollars of railroad securities for their policy holders, bought with the money belonging to the latter and out of which these death and accident claims must be paid. All insurance rates of premiums are based upon the stability and maintenance of the values of these securities. The very solvency and existence of the companies depend upon maintaining these values. There are upwards of 10,000,000 depositors in the savings banks in the same situation, whose sole safety rests upon these securities. When to these figures are added the individual holders of railroad bonds and stocks throughout the country, the amounts held by the State and National Banks and Trust Companies, Fire, Casualty and other Institutions, by the Universities and Colleges, it will be seen that the statement of the number of persons interested in railroad securities is ultra-conservative and that the National credit and stability are inextricably involved in their fate, to an extent that was little realized until the taking over of the operation of the roads forced a study of the subject.

Final Report Federal Commission on Industrial Relations, 1915

The typical form of industrial organization is the corporation. In transportation approximately 100 per cent of the wage earners are employed by corporations; in mining, 90 per cent, and in manufacturing, 75 per cent. Moreover, it is under this form that the great problems of industrial relations have been developed.

The actual relationship which exists between employers and employees under the artificial conditions which characterize the corporate form of organization can not be understood without an analy-

sis of the powers, functions, and responsibilities of the different elements which go to make up the typical corporation. The actual ownership of a corporation is vested in the stockholders and bondholders, whose only interest in the industry is represented by certificates upon the basis of which they expect the payment of interest or dividends at stated intervals.

The control of the property so far as operation is concerned, rests finally with the stockholders, or with some particular class of stockholders whose shares entitle them to vote. The stockholders, however, act through the board of directors, who are usually elected in such a way that they represent only the dominant interest. As far as the organization of the corporation is concerned, the principal function of the board of directors is to select the executive officials. These executive officials, either directly or indirectly, select the numerous superintendents, foremen and petty bosses by whom the direct operation of the enterprise is managed and through whom all the workers are hired, discharged and disciplined.

This is a skeleton of corporate organization. To understand its operations it is necessary to examine the functions and responsibilities of the different parts of the organization.

Theoretically and legally, the final control and responsibility rests with the stockholders, but in actual practice a very different situation is found. The relationship of stockholders to a corporation is anything but permanent, in a busy week on Wall Street, the number of shares bought and sold in one of the great corporations will greatly exceed the total number of shares that are in existence. The stockholders as a class, therefore, have no guiding interest in the permanent efficiency of the corporation as regards either the preservation of its physical property or the maintenance of an efficient productive organization. Stocks are bought either as a speculation or an investment, and in case either the physical property deteriorates or the productive organization tends to become inefficient, the well-informed stockholder generally takes no steps to correct the condition, but merely throws his stock upon the market. This marks a very real and definite distinction from the actual ownership of a property or business which must be kept in good condition by its owner as regards both plant and organization. If all industries were owned and operated by individuals, there might be some reason to hope that generally satisfactory wages and physical conditions might be attained through the education of the owner to a realization that permanent success depended absolutely upon the maintenance of the plant in the best condition and the permanent satisfaction of the legitimate demands of the workers, but with the impersonal, remote and irresponsible status of control by stock ownership, such a hope

must be purely illusory. The ordinary stockholder in a large corporation actually occupies a less direct relationship to the corporation in which he is interested, has less knowledge of its actual operations, and less control over its management, than the ordinary citizen has over local, state and national governments.

Boards of directors in theory are responsible for and would naturally be expected to maintain supervision over every phase of the corporation's management, but, as a matter of fact, we know that such supervision is maintained only over the financial phase of the business, controlling the acquisition of money to operate the business and distributing the profits. Actual direction generally exists only through the removal of executive officials who fail to deliver the expected profits, and through the appointment of their successors.

Upon the testimony of financiers representing, as directors, hundreds of corporations, the typical director of large corporations is not only totally ignorant of the actual operations of such corporations, whose properties he seldom, if ever, visits, but feels and exercises no responsibility for anything beyond the financial condition and the selection of executive officials. Upon their own statements, these directors know nothing and care nothing about the quality of the product, the condition and treatment of the workers from whose labor they derive their income, nor the general management of the business.

As far as operation and actual management are concerned the executive officials are practically supreme. Upon their orders, production is increased or decreased, plants are operated or shut down, upon their recommendations wages are raised or lowered. But even they have little direct contact with the actual establishment of working conditions, and no relation at all with the rank and file of the workers. They act upon the recommendations of superintendents, whose information comes from their assistants and foremen and from the elaborate statistics of modern business, which account for every piece of material and product, show the disposition of every penny that comes and goes, but ignore, as though they did not exist, the men and women whose labor drives the whole mechanism of business.

. . . "The king can do no wrong" not only because he is above the law, but because every function is performed or responsibility assumed by his ministers and agents. Similarly our Rockefellers, Morgans, Fricks, Vanderbilts and Astors can do no industrial wrong, because all effective action and direct responsibility is shifted from them to the executive officials who manage American industry. As a basis for this conclusion we have the

testimony of many, among which, however, the following statements stand out most clearly:

Mr. John D. Rockefeller, Jr.:

. . . those of us who are in charge there elect the ablest and most upright and competent men whom we can find, in so far as our interests give us the opportunity to select, to have the responsibility for the conduct of the business in which we are interested as investors. We can not pretend to follow the business ourselves.

Mr. J. Pierpont Morgan:

Chairman Walsh. In your opinion to what extent are the directors of corporations responsible for the labor conditions existing in the industries in which they are the directing power?

Mr. Morgan. Not at all I should say.

The similitude, indeed, runs even to mental attitude and phrase. Compare these two statements:

Mr. John D. Rockefeller, Jr.:

My appreciation of the conditions surrounding wage earners and my sympathy with every endeavor to better these conditions are as strong as those of any man.

Louis XVI:

There is none but you and me that has the people's interest at heart. . . .

The families of these industrial princes are already well established and are knit together not only by commercial alliances but by a network of intermarriages which assures harmonious action whenever their common interest is threatened.

Thorstein Veblen: Theory of Business Enterprise *
(pp. 143-147, 174)

In an up-to-date corporation of this character the typical make-up of the corporate capital, or capitalization, is somewhat as follows: The common stock approximately covers the immaterial properties of the concern, unless these immaterial properties are disproportionately large and valuable; in case of a relatively small and local corporation the common stock will ordinarily somewhat more than cover the value of the immaterial property and comprise something of the plant; in case of the larger concerns, the converse is likely to be true, so that here the immaterial property, intangible assets,

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is made to serve in some measure as a basis for other securities as well as for the common stock. The common stock, typically, represents intangible assets and is accounted for by valuable trademarks, patents, processes, franchises, etc. Whatever material properties, tangible assets, are in hand or to be acquired are covered by preferred stock or other debentures. The various forms of debentures account for the material equipment and the working capital (the latter item corresponding roughly to the economists categories of raw material, wages fund, and the like). Of these debentures, the preferred stock is the most characteristic modern development. It is *de jure*, counted as a constituent of the concern's capital and the principal is not repayable; in this (legal) respect it is not an evidence of debt or a credit instrument. But it has little voice in the direction of the concern's business policy. In practice the management rests chiefly on the holdings of common stock. This is due in part to the fact that the preferred bears a stated rate of dividends and is therefore taken up by scattered purchasers as an investment security to a greater extent than the common. In this (practical) respect it amounts to a debenture. Its practical character as a debenture is shown by the stated rate of dividends, and where it is "cumulative" that feature adds a further step of assimilation to the ordinary class of debentures. Indeed, in point of practical effect preferred stock is in some respects a more pronounced credit instrument than the ordinary mortgage; it alienates the control of the property which it represents more effectually than the ordinary bond or mortgage loan, in that it may practically be a debt which, by its own terms, cannot be collected, so that by its own terms it may convey a credit extension from the holder to the issuing corporation in perpetuity. Its effect is to convey the discretionary control of the material properties which it is held to represent into the hands of the holders of the common stock of the concern. The discretionary management of the corporate capital is, by this device, quite as effectually, as by the use of ordinary credit instruments, vested in the common stock, which is held to represent the corporation's good-will. The discretionary disposal of the entire capital vests in securities representing the intangible assets. In this sense, then, the nucleus of the modern corporate capitalization is the immaterial goods covered by the common stock.

This method of capitalization, therefore, effects a somewhat thoroughgoing separation between the management and the ownership of the industrial equipment. Roughly speaking, under corporate organization the owners of the industrial material have no voice in its management, and where preferred stock is a large con-

stituent of the capital this alienation of control on the part of the owners may be, by so much, irrevocable. Preferred stock is, practically, a device for placing the property it represents in perpetual trust with the holders of the common stock, and, with certain qualifications, these trustees are not answerable for the administration of the property to their trustors. The property relation of the owners to their property is at this point attenuated to an extreme degree. For most business purposes, it should be added, the capital covered by other forms of debentures is in much the same position as that covered by the preferred stock. . . .

The sublimation of business capital that has been going forward in recent times has grave consequences for the owners of property as well as for the conduct of industry. In so far as invested property is managed by the methods of modern corporation finance, it is evident that the management is separated from the ownership of the property, more and more widely as the scope of corporation finance widens. The discretion, the management, lies in the hands of the holders of the intangible forms of property; and with the extension of corporation methods it is increasingly true that this management, again, centers in the hands of those greater business men who hold large blocks of these intangible assets. The reach of a business man's discretionary control, under corporation methods, is not proportioned simply to the amount of his holdings. If his holdings are relatively small, they give him virtually no discretion. Whereas if they are relatively large, they may give him a business discretion of much more than a proportionate reach. The effective reach of a business man's discretion might be said to increase as the square of his holdings; although this is to be taken as a suggestive characterization rather than as an exact formula.

3. CONCENTRATION AND STATE INTERFERENCE

Harold J. Laski: Authority in the Modern State *
(pp. 76-80, 87-95, 107-109, 115-120)


What is at least as evident is the failure of recent centralization to solve the administrative problems involved. It is continually found that they are in fact not simple and general, but specialized and local; and the spectacle of a harassed official at Washington trying to adjust the thousand varying strands the size of America involves, is not more exhilarating than to see how the Congress permits of dangerous manipulation in the interests of locality.

There is, in fact, a fundamental principle involved in such an attitude upon which too much insistence can hardly be laid. It is the truth that in administration there is a point at which, for every increased attribute, an obvious diminution of efficiency results. Where a government department is overloaded with work what it will tend to do is to pay attention not to the particular circumstances of the special problem involved, but to its general ruling in broad cases of the kind. There is bound to be delay and the price of delay in such matters it is difficult to over-estimate. Groups, in fact, must be treated as independent units living, however minutely, a corporate life that gives birth to special considerations. The official at London can hardly enter so closely into the unique penumbra of a Manchester enquiry as fully to satisfy it. What he will do is to look up the records of his department and apply some rule laid down for similar conditions at Liverpool. This has been strikingly illustrated in our own day by the reports of the British Commissions on industrial unrest. The attempt, as the commissioners for the North West discovered, "to regulate every petty detail of the industrial machinery of the area from offices at Whitehall imposes upon the men who are asked to work it an impossible task. The trenches of industrial warfare are in Lancashire . . . it is not a business proposition to try and command the great industrial army of these areas with a staff 200 miles from the base . . . there is overcentralization and . . . this is a cause of unrest. . . . It should be considered whether it would

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be possible not only to leave employers and workmen to settle more matters themselves, but to arrange that high officials . . . should live in the area and be within close touch . . . at the earliest possible moment." Hardly less suggestive was the conclusion of the American Commission which had the same problem in view. Here, indeed, the industrial control was private and not public in nature; but it was again insisted that "distant ownership . . . creates barriers against the opportunity of understanding the labor aspects, the human problems of the industry, and solidarity of interest among the various owners checks the views of any one liberal owner from prevailing against the autocratic policy of the majority." In a still larger industry the same difficulty is noted. "The element of distance, creating managerial aloofness, thus played a very important part. For the employees, the labor policy of 'the company' was what local officials in towns distant from the executive offices made it, and not what the general officers in San Francisco might have wished it to be; distance insulated the general offices from intimate knowledge of industrial relations of the company. The bonds of confidence and cooperation between company and employees were therefore tenuous. Moreover, the fact that the company, despite its bigness, was part of a national system, qualified all solutions of labor difficulties by consideration, on the part of the company, of the bearing of such solution however intrinsically irrelevant, upon other parts of the country."

This is, in fact, the inherent vice of centralized authority. It is so baffled by the very vastness of its business as necessarily to be narrow and despotic and over-formal in character. It tends to substitute for a real effort to grapple with special problems an attempt to apply wide generalizations that are in fact irrelevant. It involves the decay of local energy by taking real power from its hands. It puts real responsibility in a situation where, from its very flavor of generality, an unreal responsibility is postulated. It prevents the saving grace of experiment. It invites the congestion of business. And all this is the more inevitable where, as in the modern democratic state, the responsibility for administration lies not in the hands of the civil service but in the statesmen who hold office. What is thereby engendered is an attempt not so much to provide solutions as to evade them. In a great strike, for example, government arbitration will not mean so much a genuine effort after justice as the purchase of a solution on any terms. That is in the nature of things inevitable. Where basic industries are concerned the government knows full well the unpopularity that will attend it if there is any interference with the normal process of consumption. In industry as a whole, the government is, from the nature of things,



interested in the maintenance of order and it knows well enough that the maintenance of order is in inverse ratio to the duration of the strike. What it is driven thus to do is to seek the manipulation of disharmony that its credit may be thereby least injured. And, at the worst, it may suffer itself to be used for the purpose of one of the contending parties. Where picketing, for instance, is concerned, the knowledge that government stands for a certain theory of order, necessarily operates to minimize the strength of the men . . .

But between the interest of capital and that of labor it is difficult to see any permanent basis of reconciliation. They want antithetic things. When the utmost that a capitalism can concede is measured, it still falls short of what labor demands; for the ultimate object of labor activity is democratic self-government in industry, the determination, that is to say, of the methods to be employed at each stage of the productive process, the settlement of tasks and hours and wages by the men themselves. It involves, therefore, the disappearance of a superimposed hierarchical control. It takes the trade union as the single cell from which an entirely new industrial order is to be evolved. In such an aspect, the suspicion of labor towards a state that is predominantly capitalist in character is inevitable. For whether the state, through its instruments, seeks, by maintaining order, to prevent the possibility of redistribution; whether it attempts to discover some possible basis of temporary reconciliation; what always emerges from either synthesis is the determination of labor to use the equilibrium so created as the foundation of a new effort towards its ultimate objective. The method of which use is made may vary but the purpose is unchanging.

Labor, therefore, could admit the complete sovereignty of the state only if it could be assumed that the state were on its side. The only thing of which it can in this context be certain is that the power of the state will be predominantly exerted against its interest. For the social order of the modern state is not a labor order but a capitalist, and upon the broad truth of Harrington's hypothesis it must follow that the main power is capitalist also. That will imply a refusal on labor's part to accept the authority of the state as final save where it is satisfied with its purposes. It means that it will endeavor so to organize the process of production as to hand over the chief authority therein to the trade unions which express its interests. It means, in short, the conquest of productive control by labor; and when that control has been conquered it is not likely that it will be easily surrendered.

What, on the contrary, is possible is that some adjustment will be slowly made between the groups which represent the interests

of producers and the state, in all its constituent local parts, as representing the consumer. We do not admit, that is to say, the attitude of the anarchist who denies, like William Godwin, the need for authority at all, or the attitude of the syndicalist who emphasises only the producer's interest. The case against syndicalism Mr. Graham Wallas has felicitously expressed in a single sentence. "It proved to be more important," he has written, "that under syndicalism men loved each other less as citizens than that they loved each other more as gild-brothers." We cannot, in fact risk the possibility of disorganization upon the basis of narrow selfishness. However the productive process is in the future arranged within itself provision must be made for some central authority not less representative of production as a whole than the state would represent consumption. There is postulated therein two bodies similar in character to a national legislature. Over-great pressure of consumer on producer is avoided by giving to the producers as a whole a legislature where the laws of production would be considered. The legislature of the consumers would decide upon the problems of supply. Joint questions, in such a synthesis, are obviously matter for joint adjustment. Nor is the central authority within either division to be envisaged as uniquely sovereign. Certain functional delimitations, the cotton-trade, the mining industry, the railways, shipping, immediately suggest themselves. From the consumer's standpoint, municipalities, counties, even whole areas like the North of England, may have group demands to be settled by group action. A balance of internal powers would functionally be sought. Arrangements would require a system of collective contracts upon the basis of collective bargaining. Law, as now, would be matter for the courts. The judiciary could settle a dispute between a bootmakers' gild and the authorities of an orphan asylum in Manchester as well in one system as another. Probably, indeed, a special system of industrial courts would be developed. Probably, also, just as in the United States a court of special and preëminent dignity decides controversies between the separate states, disputes between a producers' authority and a consumers' would need a special tribunal. That is why, as M. Duguitt has pointed out, jurisprudence will occupy an important place in the federalist society towards which we are moving.

THE SIGNIFICANCE OF FREEDOM

So complex a division of powers as this seems at first sight confusing to one accustomed to the ordinary theory of state-sovereignty. It is not difficult to urge that coordination implies the possibility of conflict and to insist that only by an hierarchical structure of au-

thority can the danger of disturbance be minimized. Yet it is, to say the least, tolerably clear that disturbance is not avoided by the conference of supreme power on the state. The rejection of that claim to sovereignty, moreover, involves an attitude to politics which has at least some merit. There is a sense in which the vastest problem by which we are faced is the very scale of the life we are attempting to live. Its bigness tends to obscure the merits of real freedom. And, indeed, there is industrially abroad a certain suspicion of liberty against which safeguards must be erected. The individual suffers absorption by the immensity of the forces with which he is in contact. That is true not less of the House of Commons, of Congress, of the French chamber, than it is of an industry which has largely suffered depersonalization. There are few signs of that energy of the soul which Aristotle thought the secret of happiness. There is little work that offers the opportunity of conscious and systematic thought. Responsibility tends to coagulate at a few centers of social life; so that the work of most is the simple commission of orders it is rarely their business to reflect upon. We are clearly tending to be overawed by our institutions; and we can perceive, in a way different from the perspective set by Lecky and Sir Henry Maine, a genuine danger lest we lose hold of that chiefest source of happiness. Clerks and teachers and tenders of machines, for each of whom there is prescribed a routine that fills the most eager hours of life, dare not be asked for the effort upon which new thought is founded. An expert in the science of factory management has even assumed that for the purpose of productivity a man "who more nearly resembles in his mental make-up the ox than any other type" is desirable. Happiness in work, which can alone be fruitful of advance in thought, is, as Mr. Wallas has noted, a phrase for most practically without meaning. The problem to-day, as the problem at the time of the French Revolution, is the restoration of man to his place at the center of social life.

That is, indeed, the real significance of freedom. It alone enables the individuality of men to become manifest. But individuality is bound to suffer eclipse if power is unduly centered at some single point within the body politic. To divide it upon the basis of the functions it is to perform is the only guaranty for the preservation of freedom. We too little remember that the appearances of politics have obscured the emergence in our time of new and sinister forces of compulsion. The pursuit of an ideal of efficiency, for which in part at least the New World is responsible, has led men to make a fetish of centralization. They have not seen that the essence of free government is the democratization of responsibility. They have not realized that no man can make his life a thing worthy of himself

without the possession of responsibility. It is useless to respond that men are uninterested in politics. They are interested in anything which nearly touches their lives, provided only that they have a share in its application.

They can develop that control only by preventing the concentration of power. In a society so great as ours, some system of representation is inevitable; and it is only by dividing functions that we can prevent those representatives from absorbing the life-blood of the body-politic; exactly as in France decentralization alone can cure the dangerous overprominence of Paris. To divide industrial power from political control is to prevent the use of the latter influence against the forces of change. It removes the main lever by which the worker is prevented from the attainment of self-expression. It makes the chief well-spring of progress not the chance humanitarianism the spectacle of an under-paid employment may create, but the earnest and continuous effort of the worker. It thereby gives to him a training in the business of government which otherwise is painfully lacking. For, after all, the one sphere in which the worker is genuinely articulate is the sphere of production. To admit the trade-union to an effective place in government, to insist that it is fundamental in the direction of production, is to make the worker count in the world. He may be then also a tender of machines; but where his trade-union is making decisions in which his own will is a part he is something more than a tender of machines. His very experience on this side of government will make him more valuable in his quality as citizen. He will see the consumptive process more realistically because its details have been illuminated for him in trade union activity. The very divisions of society will hinge upon the different aspects of his own life. It is upon him that the basis of the state must then be founded. . . .

There are at least two directions in which the danger of over-concentrating the power of the state has received a striking emphasis in the last few years. The necessities of war have immensely increased the area of state-control. Social needs broke down the quasi-anarchy of a competitive industrial system, and its place has been taken by two separate forms of management. On the one hand we have the continued management of industry by private enterprise, with, however, a rigid supervision exerted by the state. The danger here is obviously immense. The need of the state in war-time has been increasing productivity and the whole orientation of control has been towards that end. So, even if rules have been laid down, profits taxed, priority of supply enforced, still the situation has in reality involved a state guarantee of the continuance of the present industrial régime. That has meant an immense increase of centrali-

zation. It has changed at a stroke the whole and elaborate system of safeguards by which labor had sought protection against the dehumanizing forces of capitalism. It does not seem doubtful that this change has been in a high degree beneficial. But it has had two grave results. On the one hand there is the problem of giving to the trade unions safeguards that shall, in the new synthesis, be equal to the power of the old. On the other there has taken place an immense concentration of capital not merely in industry itself, but in finance also. Nothing will be easier in the years that lie ahead either for the owners of capital to demand the continuance of government control, or to insist that naturalization upon the basis of adequate compensation is alone a fair return for its services. In either case we have a guarantee of interest made a fundamental charge upon the resources of the state. That burden, without a time limit, may well prove a fundamental obstacle to the democratization of control.

Nor is the alternative of complete state management more inviting. Indeed, it may without exaggeration be suggested that the evils such a régime would imply are hardly less great than those of the present system. For to surrender to government officials not merely political but also industrial administration is to create a bureaucracy more powerful than the world has ever seen. It is to apotheosize the potent vices of a government department. It is to make certain a kind of paternalism which, perhaps above all other systems, would prevent the advent of the kind of individual freedom we desire. . . .

Herein, also, we may discover another reason for the division of power. The only way in which men can become accustomed to the meaning and content of political processes is by acquaintance with them. Mr. Graham Wallas has noted the disappearance with the advent of machinery of the "essentially political trades," like tailoring and shoemaking, where production went on under conditions that made possible the organization of thought. The modern factory has destroyed—for good or ill—that possibility; and that distinction clearly must transfer the center of social importance outside the factory in each man's daily life. But that, in turn, involves making the groups to which he belongs politically real in the only sense of the word that to-day has meaning. His groups, that is to say, must become responsible groups; yet responsibility can only come where some social function is definitely entrusted to the group for fulfilment. It is in the performance of such tasks that the personality of men obtains its realization. It is in such tasks that their leisure can be made in a full sense rich and creative. That is not the case to-day. Everyone who has engaged in public work is

sooner or later driven to admit that the great barrier to which he finds himself opposed is indifference. To the comfortable classes he is liable to seem an "agitator"; to the mass of toiling men he commits the last sin of interference. Here, perhaps, there is a sense in which Rousseau's paradox becomes pregnant with new meaning and it may in the end be true that men must be forced to be free. Certain at least it is that the temptations to leave alone the real problems by which we are confronted is almost insuperable. We make every provision to maintain the *status quo*. Nothing is more simple in the great society than to be lost amongst one's neighbors; nothing is more dangerous to the attainment of the social end. For if the good life is one day to be achieved by the majority of men and women it is only by the preservation of individuality that it can be done; and individuality, in any generous perspective, does not mean the rich and intense life of a few able men.

That is why, at every stage in the social process, we are concerned to throw the business of judgment upon the individual mind. That does not, it ought to be insisted, mean inefficient government. It does not mean that we shall not trust the expert; but it does mean the clear conviction that a judgment upon the expert is to be a democratic judgment. We have had too much experience of the gospel of efficiency to place any reliance that is final upon what promise it may contain. The great danger to which it is ceaselessly exposed is the eager desire of achievement and a resultant carelessness about the methods of its program. It sacrifices independence to the machine much in the way that party discipline aiming, above all, at victory at the polls, sacrifices conviction, with its possibility of discoveries, to uniformity of outlook. It becomes at once impatient of the exceptional man who cannot be reduced within its categories; but sooner or later, it becomes impatient also of the average man. For it cannot respect, over any length of time, the slowness with which his mind moves, the curiously intricate avenues along which he travels. It may be true that in any group of men oligarchical government is bound, in the end, and in some degree, to develop; or, at least, we need not deny the patent virtues of a man who can guide his fellows. But that is not to say that the leaders are shepherds whom the flock is unthinkingly to follow. It means that safeguards must be erected lest the mass of men become mere units in a sheepfold. It means the insistence that liberty consists above all in the full opportunity for active citizenship wherever there are men with the will to think upon political problems. It means that a democratic society must reject the sovereign state as by definition inconsistent with democracy.

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THE DIRECTION OF EVENTS

Such, at least, seems the direction in which the modern state is moving. We stand on the threshold of one of those critical periods in the history of mankind when the most fundamental notions present themselves for analysis. In England, in France, and in America, it is already possible vaguely to discern the character of that dissatisfaction from which a new synthesis is ultimately born. The period when a sovereign state was a necessary article of faith seems, on the whole, to be passing away. . . .

Generalizations about America are notoriously dangerous; for it is tempting to deny that, in the European sense, there is yet any such thing in America as the state. Rather is the observer confronted by a series of systems of economic interests so varied in character and, at times, so baffling, as to make inquiry almost impossible. It is only within the last generation that America has emerged from the uncritical individualism of a pioneer civilization. It is little more than a decade since she began directly to influence the course of world-politics. Yet even in a civilization so new and rich in promise it is difficult not to feel that a critical era is approaching. The old party-divisions have become largely meaningless. The attempt to project a new political synthesis athwart the old formulæ failed to command support enough to be successful. Yet, even in America, that point of economic organization has been reached where the emergence of a proletariat presents the basic social problems. A political democracy confronts the most powerful economic autocracy the world has ever seen. The separation of powers has broken down. The relation between executive and legislature cries to heaven for readjustment. The decline of Congress has become a commonplace. The constituent states of the republic have largely lost their ancient meaning. New administrative areas are being evolved. A patent unrest everywhere demands inquiry. Labor is becoming organized and demanding recognition. The men who, like Mark Hanna and Mr. Root, could stand on a platform of simple conservatism are already obsolete. The political literature of America in the last fifteen years is almost entirely a literature of protest. Political experimentation, particularly in the West, is almost feverishly pursued. Discontent with old ideas was never more bitter. The economic background of the decisions of the Supreme Court was never more critically examined; and, indeed, any one who analyzes the change from the narrow individualism of Brewer and Peckham to the liberalizing scepticism of Mr. Justice Holmes and the passionate rejection of the, present

order which underlies the attitude of Mr. Justice Brandeis, can hardly doubt the advent of a new time.

What, in a sense, is being born is a realization of the state; but it is a realization that is fundamentally different from anything that Europe has thus far known. For it starts out from an unqualified acceptance of political democracy and the basic European struggle of the last hundred years is thus omitted. So that it is bound to make a difference to the United States that its critical epoch should have arrived when Europe also confronts a new development. American economic history will doubtless repeat on a vaster scale the labor tragedies of the old world and think out new expedients for their intensification. But there are certain elements in the American problem which at once complicate and simplify the issue. Granted its corrupt politics, the withdrawal of much of its ability from governmental life, its exuberant optimism, and a traditional faith in the efficacy of its orthodox political mechanisms that may well prove disastrous, there are yet two aspects in which the basis of its life provides opportunities instinct with profound and hopeful significance. It can never be forgotten that America was born in revolution. In the midst of its gravest materialism that origin has preserved an idealist faith. It has made the thought of equality of opportunity and the belief in natural rights conceptions that in all their vagueness are yet living entities no man may dare to neglect. When the dissatisfaction with economic organization becomes, as it is rapidly becoming, acute enough to take political form, it is upon these elements that it will fasten. Americans, in the last analysis, believe in democratic government with a fierce intensity that cannot be denied. They may often deceive themselves about its forms. They may often, and very obviously, suffer an almost ludicrous perversion of its expression. The effort of their workers may be baffled by the countless nationalities which have yet to complete the process of Americanization. Their trade-unions may be as yet for the most part in a commercial stage. Yet, from the confused chaos of it all, one clear thread may be seized.

It is towards a new orientation of ideals that America is moving. Exactly as in England and France challenge has been issued to theories of organization that have outlived their usefulness. That was the real meaning of the Progressive Movement. It symbolized a dissatisfaction with the attitude that interpreted happiness in terms of the volume of trade. The things upon which interest become concentrated are the fundamental elements. It is the perversion of political power to economic ends that above all receives analysis. The economists demand a re-valuation of motives. "Why should the masses," asks an able recent inquirer, "seemingly endowed

with the power to determine the future, have permitted the development of a system which has stripped them of ownership, initiative and power?" and his answer is virtually a sober indictment of capitalism. "The fundamental division of powers in the United States," says President Hadley, "is between voters on the one hand and the owners of property on the other. The forces of democracy on the one side . . . are set over against the forces of property on the other side. . . . Democracy was complete as far as it went, but constitutionally it was bound to stop short at social democracy." It is against this condition that the liberal forces of American life are slowly aligning themselves. A law that is subservient to the interests of the *status quo* is overwhelmingly unpopular; the use of the injunction in labor disputes, for example, has actually been a presidential issue. The Clayton Act, with all its defects, is yet a wedge that organized labor can one day use to good purpose. Things like Mr. Justice Holmes' dissent in *Coppage v. Kansas* deposit a solid sentiment of determination that will not easily pass away. The lawlessness that is complained of in American labor is essentially the insistence that the life of the workers has outgrown the categories in which traditional authority would have confined it. The basis of a new claim of rights is in America autochthonous. Nor is it possible to doubt that only concessions large enough to amount to the admission of its substance can prevent it from being made. In either case, we have the materials for a vast change in the historic outlines of American federalism.

It is thus upon the fact that ours is an age of vital transition that the evidence seems clearly to concentrate. The two characteristic notes of change are present in the dissatisfaction with the working of law on the one hand, and the reassertion of natural rights upon the other. The validity of the acts of the legal sovereign everywhere suffers denial unless its judgment secures a widespread approval; or, as with the South Wales Mines in England and the Railroad Brotherhoods in the United States, an organized attempt may successfully be made to coerce the action of government in a particular direction. Violence, as with the militant suffragists in England, may well come to be regarded as a normal weapon of political controversy; nor have those who suffered imprisonment for their acts regarded the penalty as other than a privilege. In such an aspect, the sovereignty of the state, in the only sense in which that sovereignty can be regarded as a working hypothesis, no longer commands anything more than a partial and spasmodic acceptance. For it is clearly understood that it in practice means governmental sovereignty; and the need for the limitation of governmental powers is perceived by men of every shade of opinion. Nor is the reasser-

tion of rights less significant. It involves in its very conception a limitation upon the sovereignty of the state. It insists that there are certain things the state must secure and maintain for all its members, and a state than can not secure such rights as are deemed needful by a minority as important, for example, as organized labor, will sooner or later suffer a change in form and substance. The basis of law in opinion is more clear than at any previous time; and the way in which that opinion is fostered outside the categories of the normal political life until its weight is great enough to make heedless resistance impossible is a fact of which every observer must take account.

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*Digest of Report of Federal Trade Commission, Part I,
on Meat Packing Industries, made public July 11,
1919 **

* In its report the commission says: "A fair consideration of the course the five packers have followed and the position they have already reached must lead to the conclusion that they threaten the freedom of the market of the country's food industries and of the by-product industries linked therewith.

"The meat packer control of other foods will not require long in developing."

Declaring "the history of the packers' growth is interwoven with illegal combinations, rebates and with undisclosed control of corporations," the report also urged the importance of full publicity of corporate ownership for all industries. "As to devices for secret control," it says, "there does not exist adequate law. In its absence unfair competition may run its course to the goal of monopoly and accomplish the ruin of competitors without the secret ownership being suspected and consequently without complaint to the Commission or investigation of facts. The competitor is in jeopardy so long as he has not the knowledge of true ownership and the public is entitled to such knowledge."

Contending that the Big Five packers jointly or separately wield controlling interest in 574 companies, minority interest in 95 others and undetermined interest in 93—a total of 762 companies—and that they produce or deal in some 775 commodities, largely food products, the report has the following to say regarding the "growing packer invasion into related and unrelated industries":

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• "The packer has drawn to a marked degree upon the banks of the country for liquid funds. . . . He could not operate on the scale he does without the very large loans furnished by the banks. To assure himself loans ample to his purpose, the big packer has secured affiliation through stock ownership, representation on directorates, and in other ways, with numerous banks and trust companies."

Mr. Armour, Mr. Swift, Mr. Morris, and Mr. Wilson are directors in banks affiliated closely with those who are strong at the sources of credit in the United States. Being thus allied with the powerful interests at the sources of credit, the packers' power is great, not only for financing their own national and international operations, but for affecting, for good or for ill, the credit of cattle producers and of competitors or customers in any line.

Following the presentation of details bearing on the alleged interest of the packers in the various industries referred to the report says: "The reason why the packers are seeking control of the substitutes for meat—the foods that compete with meats—are obvious. If the prices of substitutes for meats are once brought under packer control, the consumer will have little to gain in turning to them for relief from excessive meat prices."

*Basil Manly: Labor's Share of the Social Product **

The capital employed in the steel corporation, represented by its stocks and bonds, does not get all of the difference between labor cost and selling price, for there are heavy costs for transportation, and materials for repairs and rebuilding which go to outsiders, although it may be remarked parenthetically that the same interests which control the steel corporation get the lion's share of these "outside" costs.

The group that is principally affected by the contest of labor for a larger share of the product are the common stockholders. Information regarding the actual distribution of the ownership of the common stock is therefore of the greatest interest., it must be remembered that the steel corporation is always cited as the most conspicuous example of widely distributed stock. This wide distribution as a matter of fact arises primarily from its policy of selling stock to its employees on easy terms

The essential facts to be noted are that the holders of less than twenty-five shares (\$2500 par value) constituting approximately 65 per cent of the total number of stockholders actually owned only 4

* Reprinted by permission of the *American Academy of Political and Social Science* (Annals, Vol. LXIX, No. 158, (Jan., 1917). The Present Labor Situation).

per cent of the stock, while the 1,068 stockholders (less than 3 per cent) with more than 1,000 shares owned 70.6 per cent of all the stock. Essentially the same condition exists in every American corporation. During the past year I have examined nearly 300 stockholders' lists and have found that taking them all together,—big companies and little companies, banks, railroads and industrials—less than 2 per cent of the stockholders owning 1,000 shares or more hold more than half of the entire stock.

It is this concentration of ownership in the hands of a small number of exceedingly wealthy people that will sharpen labor's determination to increase its share of the product. Regardless of any theoretical conceptions of the proper distribution of wealth the struggle will be forced at least until this class, whose wealth is not very largely hereditary, has been shaken out of its position of control.

Final Report of Committee on Commercial and Industrial Policy after the War (Great Britain, 1918)

The attempts made in certain foreign countries and British Dominions to establish state control of industrial monopolies of any kind have been along two lines, directed respectively towards (1) judicial and administrative regulation and limitation, and (2) the securing of publicity.

The most conspicuous example of efforts at the prevention or regulation of monopolist combinations, whatever their precise form, is furnished by the anti-trust legislation of the United States of America, and it cannot, we think, be argued that that legislation has so far met with any very substantial measure of success. The frequent enactment of new legislation on the subject, the very prolonged administrative enquiries and judicial hearings in important cases, the difficulty experienced by the Federal Government in obtaining judgments in its favor in suits instituted by it against combines, and the admitted fact that the formal dissolution of combinations, under order of the courts, has only led to the establishment of informal and secret understandings of a hardly less effective character, all suggest in our opinion that it would be inexpedient for His Majesty's government to enter upon any policy aiming at positive control, particularly in view of the practical difficulty of defining the point at which combination can be regarded as contrary to public interest.

The alternative policy, which aims at assuring the fullest possible publicity of the facts as to the existence of industrial combinations has been adopted in Canada. . . . In the United

States efforts have been made to secure publicity by the establishment in 1903 of the Bureau of Corporations "to investigate the organization and conduct of corporations and combinations, etc., engaged in interstate commerce (except common carriers), in order to give information to the President and to enable him to make recommendations to Congress" In 1914 a Federal Trade Commission was established with (*inter alia*) similar powers of investigation, and with authority to require companies, etc., to make annual and special reports.

We think that, if serious efforts are to be made by British manufacturers and traders to organize themselves on the lines recommended by the various Trade Committees, which we have set out above, it is desirable that some means should be devised for securing to a responsible Government Department adequate information as to any combinations so formed, and that provision should be made for State investigation in special cases.

Herbert Croly: The Promise of American Life *
(pp. 351-2, 357-8, 367-8)

Any proposal to alter the responsibilities and powers now enjoyed by the central and state governments in respect to the control of corporations and the distribution of wealth involves, of course, the Federal rather than the state constitutions; and the amendment of the former is both a more difficult and a more dangerous task than is the amendment of the latter. A nation can not afford to experiment with its fundamental law as it may and must experiment with its local institutions. As a matter of fact the Federal Constitution is very much less in need of amendment than are those of the several states. It is on the whole an admirable system of law and an efficient organ of government, and in most respects it should be left to the ordinary process of gradual amendment by legal construction until the American people have advanced much farther towards the realization of a national democratic policy. Eventually certain radical amendments will be indispensable to the fulfillment of the American national purpose; but except in one respect nothing of any essential importance is to be gained at present by a modification of the Federal Constitution. This exception is, however, of the utmost importance. For another generation or two any solution of the problem of corporation control, and of all the other critical problems connected therewith, will be complicated, confused, and delayed by the inter-state commerce clause, and by the impossibility,

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under that clause, of the exercise of any really effective responsibility and power by the central government. The distinction between domestic and inter-state commerce which is implied by the constitutional distribution of powers is a distinction of insignificant economic or industrial importance; and its necessary legal enforcement makes the carrying out of an efficient national industrial policy almost impossible.

Under the inter-state commerce clause, a corporation conducting, as all large companies do, both a state and an inter-state business, is subject to several supplementary jurisdictions. It is subject, of course, primarily to the laws of the state under which it is organized, and to the laws of the same state regulating its own particular form of industrial operation. It is subject, also, to any conditions which the legislatures of other states may wish to impose upon its business,—in so far as that business is transacted within their jurisdictions. Finally, it is subject to any regulation which the central government may impose upon its inter-state transactions. From the standpoint of legal supervision, consequently, the affairs of such a corporation are divided into a series of compartments, each compartment being determined by certain arbitrary geographical lines—lines which do not like the boundaries of a municipality, correspond to any significant economic division. As long as such a method of supervision endures, no effective regulation of commerce or industry is possible. A corporation is not a commercial *Pooh-Bah*, divided into unrelated sections. It is an industrial and commercial individual. The business which it transacts in one state is vitally related to the business which it transacts in other states, and even in those rare cases of the restriction of a business to the limits of a single state, the purchasing and selling made in its interest necessarily compete with inter-state transactions in the same products. Thus the Constitutional distinction between state and inter-state commerce is irrelevant to the real facts of American industry and trade.

In the past the large corporations have, on the whole, rather preferred state to centralized regulation, because of the necessary inefficiency of the former. . . .

The central government in its policy toward the large corporation must adopt one of two courses. Either it must discriminate in their favor or it must discriminate against them. The third alternative—that of being what is called “impartial”—has no real existence; and it is essential that the illusory nature of a policy of impartiality should in the beginning be clearly understood.

A policy of impartiality is supposed to consist in recognizing the existence of the huge industrial and railroad organizations, while at the same time forbidding them the enjoyment of any of those little

devices whereby they have obtained an unfair advantage over competitors. It would consist, that is, of a policy of recognition tempered by regulation; and a policy of this kind is the one favored by the majority of conservative and fair-minded reformers. Such a policy has unquestionably a great deal to recommend it as a transitional means of dealing with the problem of corporate aggrandizement, but let there be no mistake: it is not really a policy of strict neutrality between the small and the large industrial agent. Any recognition of the large corporations, any successful attempt to give them a legal standing as authentic as their economic efficiency, amounts substantially to a discrimination in their favor.

The whole official program of regulation does not in any effective way protect their competitors. Unquestionably these large corporations have in the past thrived partly on illegal favors, such as rebates, which would be prevented by the official program of regulation; but at the present time the advantage which they enjoy over their competitors is independent of such practices. It depends upon their capture and occupation of certain essential strategic positions in the economic battle-field. It depends upon abundant capital, which enables it to take advantage of every opportunity, and to buy and sell to the best advantage. It depends upon the permanent appropriation of essential supplies of raw materials, such as iron ore and coal, or of terminals in large cities which cannot now be duplicated. It depends upon possibilities of economic industrial management and of the systematic development of individual industrial ability and experience which exist to a peculiar degree in large industrial enterprises. None of these sources of economic efficiency will be in any way diminished by the official program of regulation. The corporations will still possess substantially all of their existing advantages over their competitors, while to these will be added the additional one of an unimpeachable legal standing. Like the life insurance companies after the process of purgation, they will be able largely to reduce expenses by abolishing their departments of doubtful law. . . .

The American corporation problem will never be understood in its proper relations and full consequences until it is conceived as a sort of an advanced attack on the breastworks of our national economic system by this essential problem of the distribution of wealth. The current experiments in the direction of corporate "regulation" are prompted by a curious mixture of divergent motives. They endeavor to evade a fundamental responsibility by meeting a superficial one. They endeavor to solve the corporation problem merely by eradicating abuses, the implication being that as soon as the abuses are supervised out of existence, the old harmony be-

tween public and private interest in the American economic system will be restored, and no more "socialistic" legislation will be required. But the extent to which this very regulation is being carried betrays the futility of the expectation. And as we have seen the intention of the industrial reformers is to introduce public management into the heart of the American industrial system; that is, into the operation of railroads and public service corporations, and in this way to bring about by incessant official interference that harmony between public and private interest which must be the object of a national economic system. But this proposed remedy is simply one more way of shirking the ultimate problem; and it is the logical consequence of the persistent misinterpretation of our unwholesome economic inequalities as the result merely of the abuse, instead of the legal use, of the opportunities provided by the existing economic system.

An economic organization framed in the national interest would conform to the same principles as a political organization framed in the national interest. It would stimulate the peculiarly efficient individual by offering him opportunities for work commensurate with his abilities and training. It would grant him these opportunities under conditions which would tend to bring about their responsible use. And it would seek to make the results promote the general economic welfare. The peculiar advantage of the organization of American industry which has gradually been wrought during the past fifty years is precisely the opportunity which it has offered to men of exceptional ability to perform really constructive economic work. The public interest has nothing to gain from the mutilation or the destruction of these nationalized economic institutions. It should seek, on the contrary, to preserve them, just in so far as they continue to remain efficient; but it should at the same time seek the better distribution of the fruits of this efficiency. The great objection to the type of regulation constituted by the New York Public Service Commission Law is that it tends to deprive the peculiarly capable industrial manager of any sufficient opportunity to turn his abilities and experience to good account. It places him under the tutelage of public officials, responsible to a public opinion which has not yet been sufficiently nationalized in spirit or in purpose, and in case this tutelage fails of its object (as it assuredly will) the responsibility for the failure will be divided. The corporation manager will blame the commissions for vexations, blundering, and disheartening interference. The commissions will blame the corporation manager for lack of cordial coöperation. The result will be either the abandonment of the experiment or the substitution of some degree of public ownership.

*Louis Brandeis: Other People's Money and How the Bankers Use It** (pp. 4-6, 28-41)

THE DOMINANT ELEMENT

The dominant element in our financial oligarchy is the investment banker. Associated banks, trust companies and life insurance companies are his tools. Controlled railroads, public service and industrial corporations are his subjects. Though properly but middlemen, these bankers bestride as masters America's business world, so that practically no large enterprise can be undertaken successfully without their participation or approval. These bankers are, of course, able men possessed of large fortunes; but the most potent factor in their control of business is not the possession of extraordinary ability or huge wealth. The key to their power is Combination—concentration intensive and Comprehensive—advancing on three distinct lines:

First: There is the obvious consolidation of banks and trust companies, the less obvious affiliations—through stockholdings, voting trusts and interlocking directorates—of banking institutions which are not legally connected; and the joint transactions, gentlemen's agreements, and "banking ethics" which eliminate competition among the investment bankers.

Second: There is the consolidation of railroads into huge systems, the large combinations of public service corporations and the formation of industrial trusts, which, by making businesses so "big" that local, independent banking concerns cannot alone supply the necessary funds, has created dependence upon the associated New York bankers.

But combination, however intensive, along these lines only, could not have produced the Money Trust—another and more potent factor of combination was added.

Third: Investment bankers, like J. P. Morgan & Co., dealers in bonds, stocks and notes, encroached upon the functions of the three other classes of corporations with which their business brought them into contact. They became the directing power in railroads, public service and industrial companies through which our great business operations are conducted—the makers of bonds and stocks. They became the directing power in the life insurance companies, and other corporate reservoirs of the people's savings—the buyers of bonds and stocks. They became the directing power also in banks and

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trust companies—the depositaries of the quick capital of the country—the life blood of business, with which they and others carried on their operations. Thus four distinct functions, each essential to business, and each exercised, originally, by a distinct set of men, became united in the investment banker. It is to this union of business functions that the existence of the Money Trust is mainly due.

The development of our financial oligarchy followed, in this respect, lines with which the history of political despotism has familiarized us:—usurpation, proceeding by gradual encroachment rather than by violent acts; subtle and often long-concealed concentration of distinct functions, which are beneficent when separately administered, and dangerous only when combined in the same persons. It was by processes such as these that Cæsar Augustus became master of Rome. The makers of our own Constitution had in mind like dangers to our political liberty when they provided so carefully for the separation of governmental powers.

HOW THE COMBINERS COMBINE

Among the allies, two New York banks—the National City and the First National—stand preëminent. They constitute, with the Morgan firm, the inner group of the Money Trust. Each of the two banks, like J. P. Morgan & Co., has huge resources. Each of the two banks, like the firm of J. P. Morgan & Co., has been dominated by a genius in combination. In the National City it is James Stillman; in the First National, George F. Baker. Each of these gentlemen was formerly President, and is now Chairman of the Board of Directors. The resources of the National City Bank (including its Siamese-twin security company) are about \$300,000,000; those of the First National Bank (including its Siamese-twin security company) are about \$200,000,000. The resources of the Morgan firm have not been disclosed. But it appears that they have available for their operations, also, huge deposits from their subjects; deposits reported as \$162,500,000.

The private fortunes of the chief actors in the combination have not been ascertained. But sporadic evidence indicates how great are the possibilities of accumulation when one has the use of "other people's money." Mr. Morgan's wealth became proverbial. Of Mr. Stillman's many investments, only one was specifically referred to, as he was in Europe during the investigation, and did not testify. But that one is significant. His 47,498 shares in the National City Bank are worth about \$18,000,000. Mr. Jacob H. Schiff aptly described this as "a very nice investment."

Of Mr. Baker's investments we know more, as he testified on

many subjects. His 20,000 shares in the First National Bank are worth at least \$20,000,000. His stocks in six other New York banks and trust companies are together worth about \$3,000,000. The scale of his investment in railroads may be inferred from his former holdings in the Central Railroad of New Jersey. He was its largest stockholder—so large that with a few friends he held a majority of the \$27,436,800 par value of outstanding stock, which the Reading bought at \$160 a share. He is a director in 28 other railroad companies; and presumably a stockholder in, at least, as many. The full extent of his fortune was not inquired into, for that was not an issue in the investigation. But it is not surprising that Mr. Baker saw little need of new laws. When asked:

"You think everything is all right as it is in this world, do you not?"

He answered:

"Pretty nearly."

RAMIFICATIONS OF POWER

But wealth expressed in figures gives a wholly inadequate picture of the allies' power. Their wealth is dynamic. It is wielded by geniuses in combination. It finds its proper expression in means of control. To comprehend the power of the allies we must try to visualize the ramifications through which the forces operate.

Mr. Baker is a director in 22 corporations having, with their many subsidiaries, aggregate resources or capitalization of \$7,272,000,000. But the direct and visible power of the First National Bank, which Mr. Baker dominates, extends further. The Pujo report shows that its directors (including Mr. Baker's son) are directors in at least 27 other corporations with resources of \$4,270,000,000. That is, the First National is represented in 49 corporations, with aggregate resources or capitalization of \$11,542,000,000.

It may help to an appreciation of the allies' power to name a few of the more prominent corporations in which, for instance, Mr. Baker's influence is exerted—visibly and directly—as voting trustee, executive committee man or simple director.

1. *Banks, Trust, and Life Insurance Companies:* First National Bank of New York; National Bank of Commerce; Farmers' Loan and Trust Company; Mutual Life Insurance Company.

2. *Railroad Companies:* New York Central Lines; New Haven, Reading, Erie, Lackawanna, Lehigh Valley, Southern, Northern Pacific, Chicago, Burlington & Quincy.

3. *Public Service Corporations:* American Telegraph & Telephone Company, Adams Express Company.

4. *Industrial Corporations:* United States Steel Corporation, Pullman Company.

Mr. Stillman is a director in only 7 corporations, with aggregate assets of \$2,476,000,000; but the directors in the National City Bank, which he dominates, are directors in at least 41 other corporations which, with their subsidiaries, have an aggregate capitalization or resources of \$10,564,000,000. The members of the firm of J. P. Morgan & Co., the acknowledged leader of the allied forces, hold 72 directorships in 47 of the largest corporations of the country.

The Pujo Committee finds that the members of J. P. Morgan & Co. and the directors of their controlled trust companies and of the First National and the National City Bank together hold:

"One hundred and eighteen directorships in 34 banks and trust companies having total resources of \$2,679,000,000 and total deposits of \$1,983,000,000.

"Thirty directorships in 10 insurance companies having total assets of \$2,293,000,000.

"One hundred and five directorships in 32 transportation systems having a total capitalization of \$11,784,000,000 and a total mileage (excluding express companies and steamship lines) of 150,200.

"Sixty-three directorships in 24 producing and trading corporations having a total capitalization of \$3,339,000,000.

"Twenty-five directorships in 12 public-utility corporations having a total capitalization of \$2,150,000,000.

"In all, 341 directorships in 112 corporations having aggregate resources or capitalization of \$22,245,000,000."

TWENTY-TWO BILLION DOLLARS

"Twenty-two billion dollars is a large sum—so large that we have difficulty in grasping its significance. The mind realizes size only through comparisons. With what can we compare twenty-two billions of dollars? Twenty-two billions of dollars is more than three times the assessed value of all the property, real and personal, in all New England. It is nearly three times the assessed value of all the real estate in the City of New York. It is more than twice the assessed value of all the property in the thirteen Southern states. It is more than the assessed value of all the property in the twenty-two states, north and south, lying west of the Mississippi River.

But the huge sum of twenty-two billion dollars is not large enough

to include all the corporations to which the "influence" of the three allies, directly and visibly, extends, for

First: There are 56 other corporations (not included in the Pujo schedule) each with capital or resources of over \$5,000,000, and aggregating nearly \$1,350,000,000, in which the Morgan allies are represented according to the directories of directors.

Second: The Pujo schedule does not include any corporation with resources of less than \$5,000,000. But these financial giants have shown their humility by becoming directors in many such. For instance, members of J. P. Morgan & Co., and directors in the National City Bank and the First National Bank are also directors in 158 such corporations. Available publications disclose the capitalization of only 38 of these, but those 38 aggregate \$78,669,375.

Third: The Pujo schedule includes only the corporations in which the Morgan associates actually appear by name as directors. It does not include those in which they are represented by dummies, or otherwise. For instance, the Morgan influence certainly extends to the Kansas City Terminal Railway Company, for which they have marketed since 1910 (in connection with others) four issues aggregating \$41,761,000. But no member of J. P. Morgan & Co., of the National City Bank, or of the First National Bank appears on the Kansas City Terminal directorate.

Fourth: The Pujo schedule does not include all the subsidiaries of the corporations scheduled. For instance, the capitalization of the New Haven System is given as \$385,000,000. That sum represents the bond and stock capital of the New Haven Railroad. But the New Haven System comprises many controlled corporations whose capitalization is only to a slight extent included directly or indirectly in the New Haven Railroad balance sheet. The New Haven, like most large corporations, is a holding company also; and a holding company may control subsidiaries while owning but a small part of the latter's outstanding securities. Only the small part so held will be represented in the holding company's balance sheet. Thus, while the New Haven Railroad's capitalization is only \$385,000,000—and that sum only appears in the Pujo schedule—the capitalization of the New Haven System, as shown by a chart submitted to the Committee, is over twice as great; namely, \$849,000,000.

It is clear, therefore, that the \$22,000,000,000, referred to by the Pujo Committee, understates the extent of concentration effected by the inner group of the Money Trust.

CEMENTING THE TRIPLE ALLIANCE

Care was taken by these builders of imperial power that their structure should be enduring. It has been buttressed on every side by joint ownerships and mutual stock holdings, as well as by close personal relationships; for directorships are ephemeral and may end with a new election. Mr. Morgan and his partners acquired one-sixth of the stock of the First National Bank, and made a \$6,000,000 investment in the stock of the National City Bank. Then J. P. Morgan & Co., the National City, and the First National (or their dominant officers—Mr. Stillman and Mr. Baker) acquired together, by stock purchases and voting trusts, control of the National Bank of Commerce, with its \$190,000,000 of resources; of the Chase National, with \$125,000,000; of the Guaranty Trust Company, with \$232,000,000; of the Bankers' Trust Company, with \$205,000,000; and of a number of smaller, but important, financial institutions. They became joint voting trustees in great railroad systems; and finally (as if the allies were united into a single concern) loyal and efficient service in the banks—like that rendered by Mr. Davison and Mr. Lamont in the First National—was rewarded by promotion to membership in the firm of J. P. Morgan & Co.

THE PROVINCIAL ALLIES

Thus equipped and bound together, J. P. Morgan & Co., the National City and the First National easily dominated America's financial center, New York; for certain other important bankers, to be hereafter mentioned, were held in restraint by "gentlemen's" agreements. The three allies dominated Philadelphia too; for the firm of Drexel & Co. is J. P. Morgan & Co. under another name. But there are two other important money centers in America, Boston and Chicago.

In Boston there are two large international banking houses—Lee, Higginson & Co., and Kidder, Peabody & Co.—both long established and rich; and each possessing an extensive wealthy clientele of eager investors in bonds and stocks. Since 1907 each of these firms has purchased or underwritten (principally in conjunction with other bankers) about 100 different security issues of the greater interstate corporations, the issues of each banker amounting in the aggregate to over \$1,000,000,000. Concentration of banking capital has proceeded even further in Boston than in New York. By successive consolidations the number of national banks has been reduced

form 58 in 1898 to 19 in 1913. There are in Boston now also 23 trust companies.

The National Shawmut Bank, the First National Bank of Boston and the Old Colony Trust Co., which these two Boston banking houses and their associates control, alone have aggregate resources of \$288,386,294, constituting about one-half of the banking resources of the city. These great banking institutions, which are themselves the result of many consolidations, and the 21 other banks and trust companies, in which their directors are also directors, hold together 90 per cent. of the total banking resources of Boston. And linked to them by interlocking directorates are 9 other banks and trust companies whose aggregate resources are about $2\frac{1}{2}$ per cent. of Boston's total. Thus of 42 banking institutions, 33, with aggregate resources of \$560,516,239, holding about $92\frac{1}{2}$ per cent. of the aggregate banking resources of Boston, are interlocked. But even the remaining 9 banks and trust companies, which together hold but $7\frac{1}{2}$ per cent. of Boston banking resources, are not all independent of one another. Three are linked together; so that there appear to be only six banks in all Boston that are free from interlocking directorate relations. They together represent but 5 per cent. of Boston's banking resources. And it may well be doubted whether all of even those 6 are entirely free from affiliation with the other groups.

Boston's banking concentration is not limited to the legal confines of the city. Around Boston proper are over thirty suburbs, which with it form what is popularly known as "Greater Boston." These suburban municipalities, and also other important cities like Worcester and Springfield, are, in many respects, within Boston's "sphere of influence." Boston's inner banking group has interlocked, not only 33 of the 42 banks of Boston proper, as above shown, but has linked with them, by interlocking directorships, at least 42 other banks and trust companies in 35 other municipalities.

Once Lee, Higginson & Co. and Kidder, Peabody & Co. were active competitors. They are so still in some small, or purely local matters; but both are devoted coöperators with the Morgan associates in larger and interstate transactions; and the alliance with these great Boston banking houses has been cemented by mutual stockholdings and co-directorships. Financial concentration seems to have found its highest expression in Boston.

Somewhat similar relations exist between the triple alliance and Chicago's great financial institutions—its First National Bank, the Illinois Trust and Savings Bank, and the Continental & Commercial National Bank—which together control resources of \$561,000,000. And similar relations would doubtless be found to exist with the lead-

ing bankers of the other important financial centers of America, as to which the Pujo Committee was prevented by lack of time from making investigation.

THE AUXILIARIES

Such are the primary, such the secondary powers which comprise the Money Trust; but these are supplemented by forces of magnitude.

"Radiating from these principal groups," says the Pujo Committee, "and closely affiliated with them are smaller but important banking houses, such as Kissel, Kinnicut & Co., White, Weld & Co., and Harvey Fisk & Sons, who receive large and lucrative patronage from the dominating groups, and are used by the latter as jobbers or distributors of securities, the issuing of which they control, but which for reasons of their own they prefer not to have issued or distributed under their own names. Lee, Higginson & Co., besides being partners with the inner group, are also frequently utilized in this service because of their facilities as distributors of securities."

For instance, J. P. Morgan & Co. as fiscal agents of the New Haven Railroad had the right to market its securities and that of its subsidiaries. Among the numerous New Haven subsidiaries is the New York, Westchester and Boston—the road which cost \$1,500,000 a mile to build, and which earned a *deficit* last year of nearly \$1,500,000, besides failing to earn any return upon the New Haven's own stock and bond investment of \$8,241,951. When the New Haven concluded to market \$17,200,000 of these bonds, J. P. Morgan & Co., "for reasons of their own," "preferred not to have these bonds issued or distributed under their own name." The Morgan firm took the bonds at 92½ net; and the bonds were marketed by Kissel, Kinnicut & Co. and others at 96¼.

V. THE FUNDS OF REORGANIZATION

I. THE SURPLUS PRODUCT

J. A. Hobson: Democracy After the War *

For the controllers of capital are not only the largest recipients of "surplus" wealth, but they are the personal embodiment of what is dangerous and wrong in the economic system, considered from the standpoint of social good. So long as the actual direction of industry is in the hands of men who are motivated, not by the desire to get goods produced and distributed in ways most conducive to human welfare, but by the desire for personal profit, the contradiction between the human meaning of industry and the actual play of economic forces will persist. In every department of economic activity, agriculture, manufacture, mining, transport, commerce and finance, in every one of those arts and professions engaged in producing non-material wealth, quantities of unearned income emerge, representing the superior bargaining power of some landlord, capitalist, employer, financier or other professional man, derived from the possession of some advantage limiting freedom of competition and conveying some power to enforce terms upon buyers and sellers. This intricate and all-pervasive economic force, which in its innumerable secret ways breeds impropriety, is a direct source of all the economic and most of the moral evils in our present social and political system. It is the most general and ubiquitous abuse of power and the central support of every specific abuse. Not only is it responsible for the evil contrasts of riches and poverty, leisure and toil, luxury and want, but disease, ignorance, crime, sexual vice, intemperance and every form of brutality and folly are nourished in the bad physical environment which impropriety provides.

J. A. Hobson: The Industrial System (pp. vii, 75-81, 208-9) *

Where industry creates a product larger than is needed for these costs of maintenance, the surplus is not, however, distributed by any such necessary law. It is taken by the owners of the several factors

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of production in accordance with the economic "pull" they are respectively able to exercise. The strength of this pull varies with the degree of scarcity, natural or contrived, which the owners of a factor are able to secure for the factor, and with the economic importance attaching to this scarcity. A "monopoly" of land, where it exists, is evidently able to take the whole of any surplus beyond necessary costs: but this is also true of a monopoly of any other special requisite of production in a particular industry. . . .

But in considering the economic nature and functions of this surplus a distinction of prime importance arises between that portion which, though not requisite to sustain the current rate of productivity in the factor that receives it, operates so as to evoke and feed an increased or an improved supply of productivity, and that which exercises no such power. Such "surplus," coming as a rise of interest, profit, or wages, causes growth in the industrial structure by bringing into productive use more or better capital, labor, or ability. This may be classed as "productive surplus." So far as the industrial system provides for the due application of this portion of the surplus to promote increased productivity, no conflict of distribution arises and no waste. But where scarcity enables a factor to extort a price for its use which is not effective for stimulating an increased or an improved supply, such surplus is unproductive. "Unproductive surplus" includes the whole of the economic rent of land, and such payments made to capital, ability of labor, in the shape of high interest, profits, salaries, or wages as do not tend to evoke a fuller or a better productivity of these factors.

This unproductive surplus is the principal source not merely of waste but of economic malady. For it represents the encroachment of a stronger factor upon a fund which is needed, partly for increasing the efficiency of other factors, labor in particular, partly as social income to be expended in enlarging and improving public life. This unproductive surplus moreover, as "unearned income," acts upon its recipients as a premium on idleness and inefficiency; spent capriciously on luxuries, it imparts irregularity of employment to the trades which furnish these; saved excessively, it upsets the right balance between the volume of production and consumption in the industrial system.

The unproductive surplus therefor represents the failure of the competitive system to compete; it represents the powers of combination and monopoly. But actual study of the forms and forces of combination in the various branches of the extractive industries, manufacture, transport, commerce and finance, shows "free competition" prevailing over a very limited area of business operations, while everywhere else natural or artificial combination takes forcible

toll at some point or other in the stream of industry. Instead, however, of imputing this abuse of economic power to some single class—the land owner, the *entrepreneur*, the capitalist—we find this surplus composed of forced gains extracted in many diverse ways wherever the use of any factor of production is bought or sold. . . .

Following then the distribution of the industrial product, as it is achieved by the breaking-up of prices at the various stages of production in payment for the uses of labor, capital, and land we perceive that definite portions are allotted for the maintenance or subsistence of the industrial system, and for the enlargement and improvement of the system in a progressive community. So far as the distribution of the industrial product necessary for these payments is concerned, we recognize a close coördination of the three factors of production.

A maintenance wage or wear-and-tear fund is required in each case alike. So likewise an increase in the quantity of labor-power, capital-power, land-power, so as to provide for the growth of a business, a trade or the industrial system, is procured by a rise of price per unit of productive power which acts in each case.

(a) By lowering the extensive margin of employment, and so calling into economic use outside agents of production.

(b) By lowering the intensive margin of employment, and so evoking the use of lower grades of productive-power in the factors already employed.

Quantitative growth of industrial structure is similarly brought about by a rise of price per unit of the productive-power, which brings into use superiors sorts of power which it did not pay to substitute for the existing sorts at former prices.

In the case of each factor the lowering of the margin, extensive or intensive, is directly due to a rise in price per unit of the productive power that factor supplies; similarly a fall in the price per unit causes a rising of the margin.

This is the way in which the industrial system works and grows. Each one of these payments made to labor, capital, and land is a strictly necessary cost of production. These laws of the maintenance and growth of the industrial system are recognized to be analogous in their nature and operation to those relating to a biological organism which provides itself with food to repair its waste of tissue and of energy, and to provide for its growth. In neither case is the method of maintenance and growth purely physical: the psychical factor enters into both.

As the craving for the satisfaction of hunger is essential to evoke the output of organic energy in the work of acquiring food for the

organism, so in the industrial system, the felt pressure for the demand for the satisfaction of needs constantly operates in the will of social groups, evoking fresh output of cooperative energy in the several branches of industry. Now at first sight it does not seem inevitable that any problem of distribution, not directly and even automatically solvable, should arise. If the result of the working of the industrial system were merely to produce a fund of food and other necessities just sufficient to replace the wear and tear, and so to maintain intact the system, no problem of distributing would come up. Capital could not, even if it would, encroach upon the maintenance wage, nor could labor deprive capital of the provision for replacing worn-out tools and material. Improper distribution or excessive payment to any factor of production, is not possible, at any rate for long, in such a case.

But where, as is usual, the industrial system turns out a product larger than suffices for maintenance, conflicts of interest in distribution may arise. We are now confronted with the question of disposing of a surplus over and above the requirements for mere maintenance. Such "surplus," as we see, may be regarded in the first instance as a natural provision for organic growth, acting in the shape of minimum stimuli to evoke proportionate increases of the various sorts of labor, capital, and land-powers, for the enlargement of the industrial system and its output.

The industrial system produces more than its keep; does the whole of the surplus flow along certain necessary channels for the stimulation of industrial growth? It may appear that, whereas the amount required for maintenance is at any time strictly limited, progressive efficiency knows no such limits. There is, perhaps, no assignable limit to the amount of goods and services which could be consumed in such ways as to add to the productive efficiency of mental and physical workers becoming more and more skillful, intelligent, informed and resourceful and to evoke the increased quantity of saving and new forms of capital required to cooperate effectively with this increased and improved labor power.

That the whole of any possible increase in the product of an industrial system is capable of being distributed and consumed, so as to promote the increased efficiency of the industrial system, is a reasonable, if not an incontrovertible assumption.

For though the rate at which a rise of wages or of profits may be assimilated in a rising standard of life, so as to promote economic efficiency, is subject to certain physical and moral limitations if one regards a particular trade or class of producers, it is not reasonable to suppose that normally the progress of the arts of industry could

exceed the pace at which the increased product, properly distributed, would serve to maintain and further to promote efficiency.

We may then, accepting provisionally this view of the economy of progress, insist that every "surplus" can theoretically be distributed so as to figure as a necessary cost of industrial growth, feeding the industrial organism. There is, indeed, in every progressive community a successful tendency towards such a natural or productive distribution of the surplus.

But the success of this tendency is notoriously qualified: the surplus is not so distributed as to produce the maximum amount of economic progress. Portions of the "surplus" which might have gone as stimuli of growth are taken as unnecessary or excessive payments which, instead of stimulating, depress activity, and so the rate of growth is kept unnecessarily low. For, though it is possible and socially desirable that the whole of the surplus be distributed with the same natural equity that determines the distribution of the maintenance or wear-and-tear fund, it is not inevitable that this should happen. Nor does it happen. The abuse or uneconomical use of the surplus product is the source of every sort of trouble or malady of the industrial system, and the whole problem of industrial reform may be conceived in terms of a truly economical disposal of this surplus.

For though it is not possible for the owners of one factor of production to encroach far upon the subsistence fund of any of the others, or for the owners of one trade or province of industry to rob with impunity the owners of another trade or province of its wear-and-tear fund, it is profitable for one section or interest or industry to effect a considerable separate gain by encroaching upon the portion of the surplus required to furnish growth to some other part of the industrial system. There exists no such close harmony in the system as shall furnish an automatic check upon such depletions. An industrial system may still survive and even grow, though not so freely or so rapidly, if a landlord class claims a large piece of the "surplus," the payment of which is not essential to evoke the use of his land, or if a class of capitalists draw an interest or a profit larger than is sufficient to induce the application of their capital or ability, or if some favoured and protected professions or trades take salaries or wages which are more than sufficient to stimulate any improved efficiency they give out. In these ways "surplus" may be diverted from its proper work of furnishing growing power and become "unearned income." It is notorious that combination is primarily directed to secure some such element of superfluous gain. There is friction and antagonism between the buyers and the sellers of land-power (i.e., land owners and tenants), between

the buyers and sellers of labour-power (i.e., employers and employees), between the buyers and the sellers of capital (i.e., investors and entrepreneurs), while the conflicts between buyers and sellers of various goods and services represent the struggle of trades each seeking to get a larger share of the general product by appreciating its particular product.

So far as the wear-and-tear or maintenance fund is concerned, no real problem of distribution arises, a law of natural harmony of interests among the owners of the factors of production determines the distribution.

So far as labor is concerned, a "subsistence" wage, as we have seen, does not necessarily provide a full living wage for workers in a trade where an ample margin of "unemployed" or cheap immigrants is attainable. But within these limits the distribution of the portion of the product which goes for wear and tear involves no conflict of real interest among the owners of the several factors.

The importance of this harmony is often underestimated: it furnishes a genuine and substantial basis of orderly coöperation over the whole industrial field. In most countries and at most times the great bulk of the wealth produced is normally and naturally apportioned in this way to the support of the existing industrial fabric. Until the rise of modern capitalist industry only a comparatively small proportion remained over as a surplus, either to furnish the means of industrial progress, or to pass as unearned income to enrich a class of landlords, usurers, or officials.

The increased prevalence and intensity of the conflicts, not only between workers, capitalists, and landlords, but between trades and groups of trades, which distribute modern industry, are primarily due to the improvement of the industrial arts, which has enhanced the relative importance of the surplus.

If there were no surplus there would be industrial peace, for necessary payments would absorb the product. If there were a surplus, the whole of which was as automatically and as naturally apportioned to feed the growth of the several parts of the industrial system as is the wear-and-tear fund, there would still be peace. But the fact that this surplus, which should be absorbed in stimuli to progress, may, instead, be forcibly diverted as excessive and "unearned" payment by the owners of some one or other factor of production, breaks this natural harmony and furnishes a ground for class or trade conflict.

The distinctive character of this doctrine of distribution consists in assigning the priority of significance to the division of the product into costs and surplus instead of into wages, interest, and rent. Not until the surplus has been separated from the full sub-

sistence fund of cost does any real problem of distribution as between the several factors arise. Moreover, so far as the normal working of industry makes stable provision for allocating some of the surplus to the several factors as stimuli of growth, the economy of costs may be extended to this portion. Both the subsistence fund and the portion of the surplus thus productively applied as food for industrial growth in a progressive society must be sharply separated from the unproductive surplus taken as economic rent, excessive interest, profits, or salaries, which furnishes no incentive to industry in its recipients.

The following rough figure expresses the threefold distinction, though the proportions assigned to the parts are purely hypothetical:

Unproductive surplus (unearned increments) C.

Productive surplus (costs of growth) B.

Maintenance (costs of subsistence) A.

A. Maintenance includes (I) minimum wages for various sorts of labor and ability necessary to support and evoke their continuous output at the present standard of efficiency; (II) Depreciation or wear and tear for plant and other fixed capital, (III) Minimum interest necessary to support the "saving" involved in the production and maintenance of the existing fabric of capital; (IV) a "wear-and-tear" provision for land.

B. The productive surplus includes (I) minimum wage of progressive efficiency in quantity and quality of labor and ability of various grades; (II) such rise of interest above the subsistence rate as is required to evoke and maintain the increase of saving required for industrial progress.

C. The unproductive surplus consists of (I) economic rent of land and other natural resources; (II) all interest beyond the rate involved in A and B; (III) all profit, salaries, or other payments for ability or labor in excess of what is economically necessary to evoke the sufficient use of such factor of production.

Modern industry tends continually to increase the size of the surplus. Part of it settles down gradually into a permanent provision for industrial growth, in accordance with the law we have already traced, raising the price for use of labor and capital above the bare subsistence point. A great deal, however, does not so settle, but forms a bone of contention. No law for its apportionment exists except the law of superior force. Landowners, capitalists, laborers, entrepreneurs, or combinations of these owners of the factors of production can, if they are strong enough, secure as unearned and excessive gains lumps of this surplus. Such unearned elements of income arise, as we shall recognize, in various parts of the industrial system. Where they are in the aggregate a relatively small share of

the product, they cause little trouble. But when they form a large proportion of the whole, as in some developed industrial countries, they not only cause the deep conflicts of industrial interests between the different classes, but are directly responsible for those great oscillations of industry and employment which involve so much waste and misery in our social system. The principal problem of modern industrial civilization consists in devising measures to secure that the whole of the industrial surplus shall be economically applied to the purposes of industrial and social progress, instead of passing in the shape of unearned income to the owners of the factors of production whose activities are depressed, not stimulated, by such payments.

How far the most economical distribution of this unproductive surplus can be achieved by its direct partition among the owners of the several factors, in accordance with some ascertained rules of equity and utility, or how far it is rightly regarded as social income to be taken and used by the State for general purposes of the common good, is a question which must await later consideration. . . .

If, however, we admit the existence of a large and varied surplus widely diffused over the field of industry, and intelligible basis is given to the labor movement, trade unionism will rank as an organized attempt to divert rents, excessive interests and profit, and other "unearned" income, into wages. In thus interpreting the main function of trade unionism, it is not necessary to assume that the miners, who by collective power of bargaining, extort a share of what would otherwise be surplus mining dividends, have any natural or inherent right to this surplus, on the ground that they made it, or that they need it more than other workers. This would be trade-individualism based on a defective grasp of the organic character of industry. The miners have no special claim in nature or in social justice upon the surplus that emerges in the mining industry, nor have the cotton spinners upon the high profits of the cotton boom. This sectional action of trade unions ranks as a makeshift method of redressing the balance of power between the factors of production which we see everywhere struggling each to get for itself as much as possible of the surplus product. In certain industrial conditions the land owner, in others the capitalist, is the strongest, and takes most of the available surplus in rent or high dividends; normally in developed industrial nations the owners of organizing and managing ability hold the balance of power. The history of successful trade unions in such trades as the cotton, iron, mining, printing trades of Great Britain, has consisted in raids upon surpluses which from time to time swell up in these trades, followed by prolonged struggles to retain the whole or part of the proceeds of such raids. . . .

Reverting to our earlier analysis, which identified the surplus with the fund of economic progress, we see in trade unionism, as in the larger labor movement of which it forms a part, an endeavor to secure a better and more fruitful distribution of the surplus by getting a larger share for labor at the expense of the other factors. Industrial progress in any given state of civilization requires, as a first charge upon the surplus product, that it shall be so used as to evoke and nourish increased and improved powers in the several factors of production. If land takes too much, capital and labor are both starved and progress is correspondingly retarded. If capital or ability takes too much, and labor not enough, industrial progress continues to lag, for the healthy march of industry requires a proportionate advance of all the factors.

If, as we have shown, labor is normally the weakest claimant for the surplus, the labor movement, in its largest aspects must be regarded as an attempt to equalize opportunities among the factors, so as to produce a more socially profitable circulation of wealth.

It is an endeavor on the part of workers by group action to obtain for themselves as individuals an increased share of wealth and leisure, by seizing and utilizing such portion of the surplus as emerges in their trade or business. Collective bargaining is the chief instrument they employ, and the history of trade unionism has been mainly a series of experiments in the methods of using it. The general result of these experiments has been to show that modern organization of capital, by its abler direction and its longer purse, is able to offer successful resistance in most industrial fields to the more important demands of labor. This discovery has driven the labor movement into politics, workmen seeking to use legislative instruments to strengthen their power of bargaining.

W. I. King: Wealth and Income of the People of the United States * (pp. 160, 165-6)

TABLE XXXI—THE ESTIMATED PERCENTAGES OF THE TOTAL NATIONAL INCOME RECEIVED RESPECTIVELY BY LABOR, CAPITAL, LAND, AND THE ENTREPRENEUR

SHARES OF PRODUCT					
Census Year	Wages and Salaries	Interest	Rent	Profits	Total
1850 .	35 8	12 5	7 7	44 0	100 0
1860 ..	37 2	14 7	8 8	39 3	100 0
1870 . . .	48 6	12 9	6 9	31 6	100 0
1880	51 5	18 6	8 7	21 3	100 1
1890	53 5	14 4	7 6	24 6	100 1
1900	47 3	15 0	7 8	30 0	100 1
1910	46 9	16 8	8 8	27 5	100 0

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• In 1910 the wages bill of the nation was approximately \$14,303,600,000. It is possible that the government might tax away all rent and turn the proceeds to the benefit of labor. Interest cannot be decreased without resulting in a loss of saving; hence, the interest bill could scarcely be lessened without destructive effects to the capital supply of the country, thus ruining our industries. Nothing, therefore, could be gained from that source. Average profits . . . are only about half as large again as average wages. We could not get the services of entrepreneurs for nothing and it must be conceded that the farmers and planters and business men, as a rule, rank higher in efficiency than does the average employee; therefore, these entrepreneurs must necessarily be paid somewhat more than the average wage of the latter. Suppose that, as the maximum possible allowance, we took one-fourth of all profits and diverted those also to the benefit of the employees. The total allowance for wages and salaries would now amount to about \$19,079,500,000, or a gain of almost exactly one-third over and above the present payments for labor. . . .

It would seem improbable that, with our present national productive power, any feasible system of distribution could increase the average wage earner's income in purchasing power by more than one-fourth and this is an extreme rather than a moderate estimate. While such a change might or might not be desirable, it would, at least, work no startling revolution in the condition of the employees of the United States. The grim fact remains that the quantity of goods turned out absolutely limits the income of labor and that no reform will bring universal prosperity which is not based fundamentally upon increasing the national income. After all, the Classical Economists were right in emphasizing the side of production in contradistinction to that of distribution. Nature refuses to yield her bounty except in return for effort expended. Demands for higher wages have never yet unlocked her storehouses.

*Walter E. Weyl: The New Democracy **
(pp. 191-207).

It is the increasing wealth of America, not the growing poverty of any class, upon which the hope of a full democracy must be based. It is this wealth which makes democracy possible and solvent, for democracy, like civilization, costs money. Finally it is this social surplus, our clear gain in wealth after the year's business is over, our excess of social product over social effort, which renders ignorance, poverty, and minority rule anachronistic, and gives to our democratic strivings a moral impulse and a moral sanction.

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The surplus of society, which thus overrides all our traditions and shapes all our philosophies, is a phenomenon of transcendent importance. It is a new factor in man's career. During all history, prior to the last few centuries, poverty, pain, and deficit ruled the world. Back of every society, simple or complex, lay the fateful force of human fecundity. The increasing population pressed upon the means of subsistence. The babe pushed his parents into the grave. For every man killed by disease, famine, war, overwork, a child was born. . . .

During all those thousands of years while empires rose and fell and rose and fell again, the masses of the people remained abject. A servile revolt was but a demand for straw with which to make bricks, for a little more food, for an abrogation, not of evils, but of unaccustomed evils. These revolts were futile. Even though for a moment the hand of the exploiter relaxed, inevitably the people sank to their former evil state. Religion, philosophy, superstition, folk-lore, the sword, lash, wheel, gibbet, torture chamber,—all these but reinforced a submission which social poverty imposed. . . .

The fundamental belief in the ultimate success of the people rests in final analysis upon the success hitherto attained. The economic determinism which makes laws, ethics, political institutions, and social theories largely the reflex of changing economic conditions seems itself to be a reflex of the past success of the mass in securing a larger share of the surplus. Since the masses have grown in wealth, they have become confident of ultimate victory. The best augury of the coming democracy is its first fruits.

To America this social surplus promises more than to other nations. Never in history has there been a social surplus equal to that of America to-day, or at all comparable with the surplus which the still undeveloped resources of the scarred continent are to bring forth. Of all the children of the Industrial Revolution, America—one of the youngest—is the most favored.

This incomparable wealth present, and above all prospective, gives to the democratic movement in this country a tone different from that of England, Germany, France, or Belgium. It makes our past blunders seem mere youthful pranks. It makes us preëminently the heirs of science and invention. Science, more mobile even than money, goes where money is; and America, because her wealth is greater, profits in greater measure than other nations from the inventions of those nations.

It is our future wealth, due to the fact that we still occupy a continent, preëmpted but still fertile, that enlarges our hopes. Under a perfect system of production and distribution, the average Italian would not be so well off as is to-day the average American

under our most imperfect system. The bitterness of group struggles in Belgium, Italy, Austria, is born of their relative poverty. In those lands intelligence and energy constantly push forward their frontiers—but, at best, they are not continents.

There are exalted and impatient souls who pay no heed to tales of mere material progress. They believe that the geniuses—the Shakespeares, Beethovens, Botticellis, Kants, Darwins—do not rise in the pork-and-pig-iron-producing nations; that a full belly means an empty mind; and that they who wax fat kick against the Lord. They are willing, with Renan, to give up America and all her future for medieval Florence; and, like Carlyle, they have no patience with a boundless land, which produces only dollars and bores. In the eyes of such men America's wealth is her weakness.

Nevertheless a palpable nexus exists between a modicum of national wealth and the elements of democracy and civilization. Intellectual and moral progress cost money as do steam engines and dreadnaughts. Money—though only a part—is necessary for education, sanitation, leisure, and the amenities of life; for schools, universities, libraries, research institutes, art galleries, hospitals, museums, theaters, conservatories, magazines, books, parks, improved houses, better factories, clothing, shelter, recreation, and the endowment and production of what is good and worth while. Eight hundred million dollars intelligently spent on education is better than four hundred millions. The growth of two bales of cotton, or two bushels of wheat, where one grew before, may make the difference between a besotted, superstitious and reactionary people and an intelligent, cultured, and progressive people. Until the material problems which beset mankind are solved; until misery, disease, crime, insanity, drunkenness, degeneration, ignorance and greed—which are the offspring (as also the parents) of poverty—are removed (and their removal costs money), humanity will not be able to essay the problems of mind and of social intercourse. Our chance in America of an eventual civilization rising above the demand for daily bread and more money depends upon our wise utilization of our national resources and our national earnings. However spiritual a structure civilization is, it is nevertheless built upon wheat, pork, steel, money, wealth.

Our wealth is already so gigantic as to be almost incomprehensible. A billion dollars exceeds the fortune of any individual since the world began. It is like a "light year" or some other convenient but unimaginable astronomical term. Yet in 1904 our national wealth was estimated by the census authorities at 107 of these billions of dollars. The present estimated wealth of New York State is twice the entire estimated wealth of the United States in 1850.

We would sell under the hammer for fifteen times as much as we would have done a little over half a century ago.

The wealth of America, moreover, is not a secret hoard to which new billions are brought and added. It is a living thing, which grows at a stupendous rate as new millions of men pour into the land, and new machines, new scientific processes, new methods of organization, lay the continent wider open. From 1879 to 1900 our wealth increased at the rate of almost two billions a year; from 1900 to 1904 it recorded an apparent increase of almost five billions a year. During every eighteen months of those four years there was added to our possessions an *increment* greater than the whole estimated wealth of the country in 1850.

Everywhere are signs of a stupendous productiveness. The number of our horses, sheep, mules, swine increases; our production of wheat, corn, cotton, rice, has enormously grown. So also our mineral production. In 1840 we produced less than two million long tons of coal; in 1909 we produced four hundred and eleven millions. The mere increase in coal production in 1907 over that of the preceding year was about equal to the entire output of all the country's mines during the eighty-five years from the Declaration of Independence to the outbreak of the Civil War.

In 1870 we produced three million long tons of iron ore; in 1909, fifty-one millions. Our pig-iron production, which never amounted to a million long tons before 1864, increased to almost twenty-seven millions in 1910. The production of steel, which remained below one million tons until 1880, rose to twenty-four millions in 1909. Enormously rapid also has been the increase in our output of gold, aluminium, cement, copper, lead, salt, stone, and zinc; while our production of petroleum, which averaged about a hundred million gallons a year during the Civil War, rose in 1909 to over seven and one half billions of gallons.

Our American agriculture has not only fed our growing population, but it still permits vast exportations of grain, flour, and meat products. Moreover it has been carried on by a steadily lessening proportion of the capital and labor of the country. There has been simultaneously an almost bewildering increase in our manufacturing industries.

When we try to visualize the statistics of our American railroads, the mind sinks exhausted under the effort. The traffic increases incessantly and enormously. While our population has not quite doubled in thirty-three years, our railroad passenger and freight traffics have more than doubled in nine years. In 1909 our railroad freight mileage was equivalent to the work of our ninety-two millions of inhabitants carrying each a load of over four hundred pounds a

distance of over thirty miles each day. This enormous traffic, like the tremendously increasing water carriage on the Great Lakes, reveals the actual and potential power of the machine-aided American nation.

It is figures like these, almost inconceivable in their totals, which give to Americans their abiding sense in the infinite potentialities of the continent. From the beginning the continent poured forth new millions, and later new billions, of wealth. An invention which netted the discoverer a few thousands or hundreds of thousands brought to the nation hundreds of millions of dollars. Better methods, improved machinery, a more scientific and effective organization of industry, combined to increase our stupendous productiveness. Our national resources were enormously increased by discoveries of new foods, by new uses to which the land might be put.

So much for the wonders of the past. But they are wonders only so long as we think solely in the terms of the past. Actually our utilization of the continent has hardly begun. It has hardly begun to begin. . . .

A great social surplus, however, does not mean that a democracy is attained, but only that it is attainable. Without social wealth, a real democracy is not possible; with it, it is not inevitable.

The masses of the people, if they are to secure a democracy, must not fall or remain below the three levels of democratic striving. Below the economic level of democratic striving, men are for the most part too ill-fed, ill-clad, ill-conditioned, too depressed by want or sickness, too harassed by debt or insecurity, too brutalized by child labor or overwork, or too demoralized by recurring unemployment to maintain the *morale* required for the attainment of democracy. Below the intellectual level of democratic striving, most men are too credulous, too suspicious, too immersed in petty preoccupations, too narrow-viewed to perceive their individual interest in the wider interest or group or nation and they are too near minded to value the larger social gain of the future above the smaller social or personal gain of the moment. Below the political level of democratic striving, men are too unused to political weapons, or too removed from them, to be able effectively to translate their economic and intellectual powers into political facts. To achieve a real popular sovereignty, the masses of the people must rise or remain above all of these levels. . . . It is the social surplus which permits the economic advance of the people, which in turn facilitates their intellectual enfranchisement, which in turn tends strongly in the direction of political representation.

*Walter E. Weyl: The End of the War** (p. 305)

More important, however, even than the question of our economic efficiency is that of regulating the flow of profits both within the nation and outward to foreign countries. If we permit an enormous accumulation of wealth and of profits to be deflected, as in the past to a few small groups, we shall find that these groups, in control of billions of dollars will force the country to undertake imperialistic projects. Our financiers will discover that there is a much greater profit in foreign than in home investments. The rise in our wages, the slackening of our immigration and the general movement toward a betterment of working conditions tend generally to reduce the rate of returns upon new home ventures, and therefore increase the tendency toward a forced export of capital, irrespective of the political consequences of such export. We are approaching a stage in our economic evolution similar to that which England reached some sixty years ago. And the impulse with us is likely to be equally strong and even more dangerous, for in the early days England stood alone as the purveyor of capital, whereas we enter the imperialistic competition at a time when many nations strive desperately for their shares of the profits.

It would not, of course, be wise, even were it possible to prohibit the export of capital. It is eminently proper that a certain portion of the surplus income of America and of Western Europe should go to backward countries where capital is more necessary. It should be the endeavor of the great industrial nations, however, to regulate this outflow and seek to convert the present imperialistic scramble into an international imperialism, in which all investment in backward countries would be made on joint international account and under joint management, with full consideration given to the needs, both economic and political, of the indigenous races. Though we must export a certain portion of our surplus capital, it will be disastrous if the expulsive force of our economic system should be so great as to cause an exaggeration of this tendency, an increase in its violence, and an enhanced liability to drive us into war. . . .

. . . We should act upon the principle that large quantities of capital should not be exported until we can properly feed, clothe, and house all our citizens, and can give them education, recreation, and all other essentials of a full and healthful life. In other words, we should take from the small ruling groups the control which they now possess over our national revenue. Without destroying all private property and incentive to gain, without undermining individ-

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ual initiate but by canalizing it, we should conduct our national business as though all this wealth belonged to the nation as a whole, as though all income were primarily for the common benefit. In other words, we should move toward an industrial and social democracy.

2. THE SOCIAL MINIMUM

*Alvin Johnson: To Save Capitalism **

It is not enough to restore Europe to its pre-war condition. That was a condition of widespread industrial unrest. The workers of Germany were so dangerously discontented that many employers welcomed the war, thinking that it would postpone the troubles at home. In Italy and France radicalism was growing prodigiously, and England was at the brink of a terrific industrial conflict. Capitalism in its pre-war phase was living beyond its means. Mr. Vanderlip says that, "English industry made a red ink overdraft on the future by underpaying labor so that it did not receive enough to live efficiently." But if the British industrial population is decaying under capitalistic exploitation, that is even more decidedly the case with the industrial populations of the Continent where wages are lower and the hours of labor longer. It may be urged that wages are nowhere so low as they were a half century earlier, when there was little unrest. That is beside the point. Wages are inadequate to maintain efficiently the kind of laborer we require to-day.

How this deep seated evil of labor exploitation is to be remedied Mr. Vanderlip does not say. The socialists assert that no remedy is possible under the capitalistic system. That system, they declare, lives by the profits it sweats out of the subsistence of labor. But this is to overlook the fact that profits are highest and most certain in those industries and in those countries where labor is best paid. How labor lives and what profits capital earns depend upon the efficiency of the productive process, and that efficiency, in turn, depends largely upon the vigor and hopefulness of labor, or in economic terms, upon wages and other conditions of employment.

If capitalism is to become again a stable, going concern it will have to recognize that the profits of an industry alone are no inadequate test of fundamental solvency. An industry which pays living wages and makes profits besides is an asset to the system; an industry which makes profits but pays wages that involve degradation and deterioration of labor is a liability. What capitalism must have if it is to survive is a new solidarity of the propertied

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classes behind those employers who are honestly striving to meet their class obligation to labor. Let the sweating employer be anathema, as a traitor to the interests of his class. Let the banker scrutinize loans to such an employer as he would loans to a gambling house or a brothel. And when the employees of the sweater go out on strike, let the chambers of commerce and citizens' unions vote large contributions to the strike chest.

That sounds Utopian? As in the past, employees will stand together, like Montrose wi' Montrose? There is something fine and touching, indeed, in the way all the employers of a city rally to the defense of the sweating employer, although they would not for anything emulate his ways. There is something fine and touching in the way a Himalayan tribe takes a leprous member to its bosom. Fine and touching, but in the end fatal to the tribe.

It is time for those who believe in the system of private property, who wish to see it survive, to recognize that it will not live on by virtue of written constitutions or laws, by virtue of the activity of police and constabulary, militia and standing army, or even by virtue of traditional economic principle and the law of inertia. That system will live so long as it does its job; when it fails hopelessly in this it will perish. The job that any controlling system must execute satisfactorily is the provision of a wholesome and hopeful existence for the masses who constitute the major part of the personal forces of society. This the system of private property can do if it will create for itself a new solidarity and a new statecraft. But time presses.

*Frank P. Walsh: Living and Subsistence Wage **

The other provision alluded to was the declaration by this [National War Labor Board] of the right of all men and women in industry to receive a living wage. Now, that term is one having different meanings to different persons. The living wage suggests, perhaps, that amount of wage which will keep life in the human body. That is, of course, not what we understand by it. It has a definite meaning in the world of industry and in the literature of modern economics. It means the amount of wage upon which a worker and his family may be able to subsist in health and with reasonable comforts.

We had more difficulty in applying that principle than any other. Three-fourths of the common laborers of this country had not been getting enough to eat, they had seen their children go into

* Address before conference on Demobilization. Reprinted by permission of the author and of the *Survey* (Dec. 7, 1918).

industry, and a great number of them were compelled to take in boarders to add to the family income. . . . After research among the authorities, government and private, that had given careful study to the subject, and after studying the budgets in all wage hearings of late years, a decision was made by the [investigating] staff, and not by the board, that the minimum on which a worker with a family of three children of school ages could live, was 72 cents an hour, or \$34.80 a week.

When we attempted to put that into effect it was impossible to do so. We had this evenly divided body, and the considerations pressed upon the board particularly were these, that to apply that living wage at once would so unsettle industry as to close, perhaps, many concerns necessary to carrying on of the industries essential to win the war—and again, that the whole structure of our industrial life was based upon so low a wage level that if this increase had been made it would practically have doubled the common labor rate then prevailing (not that which had been paid before this raise came of which we have heard so much), further that it would make such a change in the income of the operators of industry, that the excess profits tax plan could not be carried out, and in that way our every effort of winning the war might be circumvented. . . .

When we applied the increased wage, therefore, it was at the rate of 42½ cents per hour, and now it is 45 cents per hour, with the addition of increased compensation for overtime.

The minimum wage has come to stay. I believe one of the gains of the war will be an acknowledgment of the fact already assented to by the greatest employers of labor in this country, that no industry has a right to live that does not pay every essential worker in it a living wage, and that no state can live whose productive properties are dependent upon great establishments where that principle is not recognized.

*William F. Ogburn: Measurement of the Cost of
Living and Wages**

The great upheaval in prices during the past two or three years has forced into the spotlight of public interest the standard of living as a basis of wage settlement. The cost of living has risen quite suddenly and most dramatically, and unless wages rose with the rise in prices the net result was an actual lowering of the standard of living. For this reason the standard of living has become in a great many cases the basis for setting wages.

* Vol. LXXXI, Whole No. 170, January, 1919. The Annals of the American Academy of Political and Social Science, A Reconstruction Labor Policy. Reprinted by permission. (Pp. 110-116).

•Thus the Shipbuilding Labor Adjustment Board has on three occasions raised wages to the extent that the cost of living has risen, having done so on each occasion only after an extensive survey and measurement of the increased cost of living has been made. The National War Labor Board in nearly every case that has come before it for settlement has considered evidence and testimony on the increased cost of living. In perhaps half of the cases they have made a settlement of wages directly on the basis of the increased cost of living, and in many of the cases specific provision has been made for the future readjustment of wages on the basis of changes in the cost of living. The Railroad Wage Commission based a recent raise in wages on the results of a special nation-wide survey into the extent that the cost of living had risen. A number of private employers have raised wages after having had special studies made to determine the extent of the increase in cost of living. A few companies have made provision for periodic (in some cases monthly) increases of wages, in accordance with the percentage increases in the cost of living. Some of these companies are the Bankers' Trust Co. of New York City, The Index Visible (Inc.) of New Haven, Conn., the Oneida Community, the Kelly-How-Thompson Co. of Duluth, Minn., the George Worthington Co., and the Printz-Biederman Co. of Cleveland. . . .

Up to the present time attempts have been made to measure three different levels of living.

The first of these is what might be called the poverty level and for which there have been drawn a number of budgets, principally by various charity organizations and philanthropic societies. Families living at this level receive charity in the form of gifts or free medical service or in other ways. Or if they do not do this they attempt to live on a level so low as to weaken them eventually to such an extent that disease inevitably overtakes them.

The level above the poverty line is called the minimum-of-subsistence level. This level varies of course from country to country. It is spoken of here as the American standard, it being realized that it varies somewhat in different parts of an area so large as the United States. The minimum of subsistence will also change over a period of time, irrespective of the level of prices. What was the minimum of subsistence a number of years ago is certainly not a minimum of subsistence now. Quite a number of budgets have been set for this level in previous years. The study made by Dr. Chapin in New York in 1907 set such a level. Another was the budget of the New York Factory Investigating Commission in 1914. Such a standard of living corresponds approx-

imately with that of common or unskilled labor, and is what is generally referred to as a living wage.

There has also been a tendency to recognize still another level which has been called the minimum comfort level, which is of a plane somewhat higher than that of the minimum of subsistence. Thus in the autumn of 1917 in Seattle the arbitration board in a strike of the street railway employees accepted a budget of \$1,500 for a family of five. The settlement was made on the basis of a budget, drawn after considerable study, and called the minimum comfort budget. . . .

Not very much attention has been given to standards of living above the subsistence level for the purpose of setting wages. But the department of the National War Labor Board on the cost of living drew up for the consideration of the board a budget above the subsistence level which was called the minimum comfort level. In June, 1918, the cost of this budget was \$1,760 per year for a family of five. These facts will give the reader fairly good ideas of various levels of the standard of living since the great change in prices.

*Samuel Alschuler: Award in Packing House Industries
by United States Administrator **

With the installation of the eight-hour workday following the heretofore ten-hour day, there naturally goes adjustment of the hourly and piece work wage rate so that in the full eight-hour work day there is earned an amount equal to that theretofore earned in the full ten-hour workday. The evidence for the employees and employers as well, is unanimous to the effect that whatever the economic workday is found to be, it should under normal conditions afford to the workman a day's living wage for himself and family of average size, generally considered to be wife and three children of about school age. The proposition itself is too clear to require elaboration. The superintendents agreed that while so-called market price of labor, as evidenced by what other industries pay for it, should have some influence, yet in any event it should be a living wage.

While it might seem that the term "living wage" should itself fix its boundaries and convey its significance, it is one of those phrases not capable of exact definition but is quite dependent on the viewpoint of the one who employs it. While it might generally be understood to be a wage affording a living suited to one's condition

* Reprinted from *Monthly Labor Review*, May, 1918, Vol. VI—No. 5, p. 1170

in life, it could hardly be said that if because of an unreasonably low wage the condition of the employee in life sinks low, but that his family manages to subsist thereon, that the condition in life of this family is thereby established, and that the wage paid is suited thereto. A living wage surely imports something more than this. On the other hand, the common laborer's living wage cannot, under the existing order of things, be said to include extravagance and superfluities which only those of large means can afford. On behalf of the employees various so-called "living budgets" were presented. With the best of intent these must, it seems to me, reflect more or less the point of view of those who gathered the data or those who compiled them. When they are made from observations of what a given number of families has actually required to maintain them, they may not afford a just guide for those families whose earnings are customarily sufficient to warrant better living, or for families whose earnings were unduly low, but which nevertheless have been compelled to subsist thereon, deprived of many things which they ought to have had but could not for lack of means procure. As to whether or not the man with low wages has been compelled unduly to so deprive himself and his family and if so to what extent, affords room for wide divergence of opinion depending in large measure upon the personal views and experiences of those who make or interpret the budgets. Those used to better living might include more, and those not so accustomed less. The budgets presented at the hearing varied from \$800 to about \$2,000. While budgets are helpful, there is difficulty in reconciling them to each other, and to the actual conditions with which we have to deal.

*From Address before Conference on Demobilization,
November 29-30, 1918. Felix Frankfurter, Chair-
man, United States War Labor Policies Board.*

The war has left a deposit of new federal standards in regard to industrial relations. When it broke out we found ourselves with but very few standards and meager machinery with which to enforce them. There were some provisions in regard to the hours and pay of some of the federal employees. There was also a body of knowledge available in the Department of Labor. But, suddenly, the government had thrown on it the functions of an employer on a vast scale and it was compelled to adopt new and additional standards as to the relation between employee and employer for the exigent purpose of producing war materials. Thus, the government of the United States as an employer, direct and indirect, had to

formulate measures and standards of industry, far in advance of the standards which existed prior to the war. Those standards arose from a practical, immediate need. And on the whole one of the great lessons of the war is that the adoption of so-called industrial standards, involving also standards of distribution of the product, results in a better and more continuous output.

What are those standards? They are as to hours and wages, as to safeguards against physical injury to employees, as to employment of children and of women, as well as standards affecting the mode of dealing with disputes, the right to organize, the process of contact between management and men, and certain community standards outside industrial plants but intimately bearing upon it.

3. NATIONAL CREDIT AND TAXATION

*Irving Fisher: Making Posterity Pay**

Some people think if they subscribe to bonds they are making posterity pay. It is ordinarily supposed that the distinction between loans and taxes is just that between paying to-day and paying later. That is not the case at all. We pay for this war now. We cannot provide shoes and guns and other supplies for the soldiers to-day from posterity. The cost has to be produced to-day in terms of goods. It is perfectly obvious that the cost of the war in guns, food, and clothes, is a cost to-day, because if we should wait for posterity to make the shoes and the guns, the soldiers to-day would not have any footwear or any means of firing off their cartridges.

The same is true in terms of money. No one will dispute this when we are talking of taxes, but many dispute it when talking of loans. Probably nine people out of ten in this country are under the impression that when the government goes into debt we are simply postponing the payment. So far as the government budget is concerned, that is true, but so far as the nation is concerned it is not true, providing the bonds are held in this country, as they are for the most part. When posterity pays off those bonds it does not pay this generation. It pays itself. It has to tax itself in order to pay itself, and if the subscriptions were ideally distributed, what would happen would be simply that I would have to take out of one pocket a thousand dollars of taxes, give it over to the government, and then the government would give me that thousand dollars and I would put it in the other pocket as payment for the principal of my bonds. Evidently it would amount to the same thing if we simply repudiated the debt, and then I would have taken my money out of one pocket and have put it in the other pocket as payment for the principal of my bonds. Evidently it would amount to the same thing if we simply repudiated the debt, and then I would have taken my money out of one pocket and have put it in the other pocket without having it go through the government at all.

It is very clear that when posterity pays itself it is not making

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any sacrifice. You might just as well talk in terms of the credits instead of debits involved. You might just as well say that^{*} by issuing bonds to-day, instead of saddling posterity with a huge debt, you are enriching posterity, because posterity is going to get the principal when these bonds are paid. It is exactly as broad as it is long. The only difference comes in the distribution. There will be many who in posterity will take out of one pocket more than they will get to put in the other pocket because their taxes will exceed the bonds that they hold, and the same thing the other way around. It has happened in the past, for instance, that the rich who run the government would buy the bonds and then in posterity would tax the poor, and the result would be that in posterity, the rich would be living on the poor. To-day it is almost the other way around. As we are distributing the bonds very widely the poor who subscribe are becoming creditors and, in the future, through big income taxes, it will not be at all surprising to find the rich ones paying the poor.

J. Laurence Laughlin: The Credit of Nations * (pp. 1, 10-11, 58, 141-2, 193-196, 276, 354)

When Lord Kitchener based the success of the Allies in the European war on "men, munitions, and money," obviously he used the term "money" in the sense of credit. Out of every five dollars spent at least four dollars is obtained by credit. Since more than \$100,000,000,000 has already been spent by European Powers on the war, it is clear not only that no such sum of money was in existence, but also that war has not destroyed actual money. For instance, there is even more gold in the world to-day than before the war; and certainly there is much more paper money. In brief it is wealth, or goods, in some form which has been destroyed; and it is only the prices of these goods expressed in money which count up into the enormous totals. These goods were priced in some monetary standard, like gold; and some money may have been used in the exchanging of the goods from seller to buyer; but it was the modern credit system which made the use of much money in this process of exchange quite unnecessary.

The important thing to a country's prosperity is not the amount of money nor of a medium of exchange which it has within its borders, but the volume of goods it has which satisfy wants. It is not the tickets by which the milkman counts, but the number of quarts of milk, which are primary. In foreign trade, likewise, the matter of chief importance is not the quantity of bills of exchange,

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but the actual production and movement of grain, cotton, munitions, and the like, in exports or imports. Only because of the movement of such goods or of securities (which are title to goods and property) do bills of exchange come into existence. That is, want-satisfying goods are primary; money and forms of credit are secondary. Goods underlie all legitimate and continuing credit operations. When saying in general terms that credit is based upon goods, it is understood, of course, that it is concerned not only with goods actually in existence now being exchanged but also with goods coming forward day by day, in the steady operation of established industries, as well as with securities of various kinds, which are in fact titles to goods or to going concerns engaged in providing economic services. Money, gold, checks, the various media of exchange, are only convenient devices for expediting essential transactions in goods. Although credit is itself an exchange of goods involving the return of an equivalent in the future, the forms of credit arising out of such transactions are various—book accounts, bills receivable, notes, checks, bills of exchange and the like. Some forms of credit—such as checks or bills of exchange—also serve as media of exchange, if made payable on demand by recognized institutions, and thus perform some of the work of money.

The funds needed on the unexampled scale of modern wars can be obtained either by taxation or by loans. Obviously, taxation even as heavy as that now levied by Great Britain can provide only a part of the great sums consumed by this war. Therefore, the main reliance of all the belligerents must be on loans, that is, on the use of credit. When it is asked, "Where does all the money come from to carry on this stupendous war?" it will readily appear in answer that the cost of war is largely represented by the destruction of goods, referable to money only as a means of recording their value, and that money plays a rôle secondary to goods. It is the quantity of goods demanded by war which forms the real economic expense of this terrible struggle. Money remains; goods are destroyed. The war is really being carried on by credit. . . .

Early in the nineteenth century the purchasing power of a business man was largely confined to the amount of money he could command; but the rise of credit increased the available purchasing power by the enormous mass of staple goods bought and sold, which became the best possible basis of bank assets. Bankable goods became synonymous with all articles having a liquid, salable quality. In the time of Ricardo credit had little place in the economic world. To-day it is of first importance, not only in all private transactions, but in the fiscal operations of all governments, while its influence upon prices and the principles of money has been much misunder-

stood. Ricardo expressed a belief that prices of goods depended on the quantity of money in circulation; but to-day an undreamed-of volume of goods are exchanged by forms of credit practically without the intervention of any money. For instance, in the United States alone goods to the amount of \$173,000,000,000 were exchanged by the use of checks in one year (1913).

Moreover, the growth of capital directed to banking for the purpose of providing credit to those engaged in producing and distributing goods has gone on *pari passu* with the demands of an enormously increased output of goods.

But the increase of banking goods, which is synonymous with the operations of credit, is not to be measured by the amount of banking capital (and surplus) but by the credit work performed by that capital, that is, by the growth (in Anglo-Saxon lands) of deposits; since loans result directly in deposits, and the relationship between loans and deposits is close. In the last thirty years the deposit item of our national banks, which may be taken as fairly representative of banking and credit development, increased from 1880 to 1910 by 534 per cent; or if all banks, except savings banks, be taken, the gain has been 754 per cent.

In international trade the bill of exchange serves as a medium of exchange and balances only are paid in coin or bullion. The discovery that goods (after being priced in some standard) could be safely bought and sold by credit devices, amounts being off-set against each other in opposing currents of domestic and foreign trade, without passing from hand to hand, has produced a mechanism of flexibility and power, rising to almost incredible achievements, which was unknown in earlier decades. . . .

It is sometimes explained that credit depends upon and is limited by money (especially that in bank reserves). This view, however, looks only at the external and purely mechanical processes through which the fundamental sources of credit register themselves. The European War is forcing us to revise some traditional beliefs. One wonders that belligerents can keep up the struggle without either economic exhaustion or financial bankruptcy. If the inability to meet demand obligations in the usual gold of international payments is an evidence of bankruptcy, then several countries are already bankrupt. But how can they keep on? It is obviously a question, not of money, but solely of getting the goods needed in war. What is often overlooked is the phenomenal extent, in this modern era of new power and highly developed machinery, of the surplus of goods above the necessities of life. It is almost inconceivably large. As long as this prodigious surplus—or rather, the labor, capital, and resources by which this surplus is created—is not used

up, a nation can go on fighting. Of course, in a case like that of Germany, the effect is that of practical confiscation of all surplus production to carry out a national purpose. . . .

In view of the accumulation of this (British) vast debt in three years of war, with the end not yet in sight, the mind at once questions the future. Of the ability of the English to carry this colossal war debt there can be little doubt. The willingness to pay over \$2,500,000,000 in taxes per year is a factor of great significance affecting the credit of the country and the standing of its securities. It is a policy which stands out in bold contrast to that of Germany, which has adopted the principle of taxing little (evidently having counted on victory and large indemnities) and funding a great debt in long-term securities. Obviously, Great Britain has in mind no indemnities as a means of lightening her burden of debt. If we are disposed to measure British credit, or borrowing power, by her ability to produce goods in the future, to hold her own in the competition of international markets, it must be clear that the exigencies of war have unmistakably awakened and stimulated her productive efficiency—wholly apart, of course, from the sickening loss of life and the patent destruction of capital. All in all, instead of material considerations as to economic resources, it is the spirit in which she is likely to take up the work of the future—as to which there need be entertained little doubt—on which most emphasis should be placed. . . .

What is to be said as to the capacity of France to carry this load—or a load even increased by added years of war still to come? The annual charges on the debt would now absorb nearly the total revenue of 1914, and even before that year it seemed as if taxes had reached the limit. In this war, however, what has seemed incredible has in many instances turned out to be possible. The thrift of the French has long been noted. In France, if in any country seared as it has been by losses of life and property, the psychology of sacrifice for a future gain will allow the largest part of the excess of production over a low margin of subsistence to be turned over to the state either in taxes or in subscriptions to funded debt. Already these subscriptions have passed all expectations. No one seems to have realized how large a margin over subsistence has grown in these latter years of mechanical appliances and of the era of new power. It is out of this enormous surplus that the amazing extravagance of recent years has been made possible; and, if extravagance ceases, to the same extent can it bear the waste of war, without much impairing the forces of production (except by loss in changing to war industries, loss of labor, etc.

The psychological shock caused by the frightful losses of France

which brings home the obligation of refraining from unnecessary consumption—everything above the minimum needed for health—will yield an incredible fund of savings. The increase of savings even during the war has been amazing; although much is hoarded. So strong is French thrift that it forms the basis of the estimates of a Minister of Finance when he needs loans. From such sources, as well as from the earnings of industry and trade, capital has grown until it is estimated that the invested capital of France, as before noted, amounts to \$22,000,000,000, of which foreign securities owned by citizens are placed at \$8,000,000,000. The income alone from securities owned by the French is stated to be over \$1,000,000,000. In 1911 the annual savings of France were put at \$600,000,000, of which sum \$400,000,000 were available for investment in securities. In trying to find the total fund from which savings can be made we get nothing very definite. The estimates of total wealth are of doubtful value; but that for France has been given by Helfferich as \$70,000,000,000, and her total income \$6,000,000,000. As the strength of the desire to save increases, an even larger total of savings may be made out of a lessened fund of wealth. To the savings and investments of France, the Treasury must look for the resources to float its loans. If all securities owned by the French were offered in exchange for the debt of France, the whole of that now existing (\$21,000,000,000) could be absorbed at home. Or, if the foreign securities owned in France were sold, they would take up more than one-third of the present enormous debt. Or, again, if one-tenth of the total annual income of France were saved, the whole debt now existing could be taken up in thirty-seven years. . . .

In estimating the ability of France to carry the burden of this gigantic war debt, the middle class and the peasants must be kept in mind. The matter is a psychological one. It is a question of the traits and qualities of her people. If nearly all the margin of goods produced by an energetic people over and above the necessities of life is saved, even the prodigious war debt and the heavy taxation may be successfully carried. One writer instances three times in the past three centuries when France "has been completely defeated and left in a state of seeming economic exhaustion—at the end of the long campaign of Louis XIV, at the final overthrow of Napoleon, and at the crushing climax of the Franco-Prussian conflict. . . . Yet, after each of these experiences, the world witnessed the extraordinary spectacle of France promptly resuming her place in the economic system, and in the end displaying a tangible economic power even greater than before." . . .

By credit operations, losses are thrown forward on the future.

Germany's borrowing power (in this case at home), her credit, depends upon the belief of lenders in her producing power, not in the exceptional emergencies of war, but in normal conditions of peace. Her ability to carry her staggering burden, therefore—if she does not repudiate—depends upon her power to produce in the future. Then will come into play, under conditions which will stimulate them to the utmost, her characteristic persistence, thrift, organizing power, energy, and industrial efficiency. If exceptional reasons exist for restoring capital and the effective desire of accumulation becomes intensely active, it would be possible to add to capital almost all the annual surplus of wealth above necessities, and in a surprisingly short time there would be as much capital in existence as before; and then could begin again extravagance and waste and the loss of capital in overconfident speculation. Also, in spite of the frightful losses of man power, we all know when restraints upon population are removed, with what amazing rapidity numbers increase to the point where they are limited only by the standards of living. Whatever the outcome of the war there is not much doubt of the continuance of the racial characteristics in the typical German residuum. . . .

The cross-currents and the contradictions of this war often appear inexplicable. It is because unexpected results have been set in operation by psychological forces which could not have been estimated beforehand. Not the least important of these is the psychology of capital-making. No one has doubted the phenomenal productive capacity of the United States. The energizing influence of the new era of power and machinery has been displayed on the vast natural resources of this country and expanding volume of product unequalled by any other nation. As a consequence, the estimated national wealth of the United States has been placed at \$187,000,000,000 in 1912 as against \$88,000,000,000 in 1900. Such is the basis on which the supply of capital rests. Long since it has been an economic commonplace to say that saving of capital depends on two things: (1) The extent of the margin above the necessities of life from which savings can be made; and (2) the strength of the desire to save. As regards this margin, we have never realized its extent. In recent decades we have seen the rise of large fortunes and a display of extravagance which has advertised in every possible way our enormous capacity for consumption in things not actually necessary for physical existence. No one can begin to estimate what would be the effect on the accumulation of American capital if all or even a large part of this capital were saved. We have never fully recognized as things have been going on in times of peace the useless destruction of wealth by an expenditure on

unnecessary consumption—articles which when consumed leave nothing in their stead—has constantly been as great as that caused by vast armies in time of war. Then apply to our uncounted billions of surplus above necessities an exceptional stimulus to the will to save. The effect may seem like a miracle, but it is all within the limits of achievement if we so wish. When the war broke out, the uncertainty caused by the shock and the general depression, induced by the world-wide disaster almost unconsciously led everyone to economize.

*T. S. Adams: The Excess Profits Tax **

In discussing these topics I speak not only unofficially, but tentatively; I express only my personal opinions, and those opinions are subject to later revision. . . .

What I have been considering is the eminently practicable problem of the future of the excess profits tax, will it endure—should it be permitted to endure after the war?

I do not pretend to give the final answers to these questions even in my own mind. But they are questions about which we should begin to think seriously. It is sometimes said that the country which imposes an excess profits tax after the war will so hamper its business as to deny it any share in the international trade of the world; in short, that it will place domestic industries at a disadvantage in competing with foreign industries.

Whether this criticism be sound or unsound depends upon many factors, among which must be included the relative burden of all taxation in this country as contrasted with foreign countries; the equity and care with which this and other taxes are formulated and administered; and most of all upon the truth of the theory upon which the tax rests. It is either true or not true that the success of business enterprise depends, in part, upon the helpful participation of the state. This is either genuine truth or humbug. If it be a genuine truth, business can afford to pay for the assistance of the state. If it be merely false and hollow rhetoric, American business enterprise will fall before foreign competitors which do have the real support of their respective governments. In general, what business fears is not heavy taxation, but unjust and discriminatory taxation, careless taxation, bungling attempts to do the impossible, inconsistent taxation, the unlike treatment of like business situations.

Such a tax might serve appreciably to allay hostility to big

* Reprinted from the *Annals of the American Academy of Political and Social Science*, Vol. LXXV, January, 1918. Financing the War.

business by making the people a partner in the success of big business. As pointed out several years ago by Henry C. Adams, such a tax fits in harmoniously with the policy of rate regulation or price regulation. We shall probably have more of such regulation as time goes on; and this regulation must, in all probability, be accomplished through general rules which, adapted to the less favorably situated producers, yield excessive returns to the more favorably situated producers. Under such circumstances, a tax upon excess profits makes the results of price regulations more equitable and more attractive. Some such device as this would appear to promote individualism and private industry. Not only land sites, as Henry George emphasizes, but other commercial and industrial opportunities differ enormously. We cannot give to each industry the same opportunities of location, proximity to markets, good shipping facilities, good credit institutions and good government; but we can make inequalities a little less by imposing a tax upon the differential product—upon excess profits. Conceivably then, the excess profits tax may assist materially to promote that equality of opportunity which is as necessary to good business as to good citizenship.

Lack of productivity will probably prove the gravest weakness of the excess profits tax as a permanent part of the tax system. In normal years we cannot expect a tax upon supernormal profits to yield the enormous revenue which we expect to derive from this source during the war. And yet, it is probable that even in lean years the tax would supply a revenue altogether worth while. In our vast country it seldom or never happens that all sections and all industries move together. When there is drought or financial depression in one part of the country, other sections enjoy abundant crops and prosperous business conditions. Where an epidemic prevails, the doctors, at least, do a thriving business. There will always be some excess profits to tax.

But if the tax is to succeed, we must solve this problem of establishing a sound normal basis upon which to measure the excess. In determining this normal datum line we can, as has been stated, use either past income or invested capital; indeed the difficulties are so great that we should make use of both. It would be theoretically possible, for instance, to take the income for a considerable number of years, exclude the abnormal years and accept the remainder as our datum line. But even in this case we should have to make allowances for the increase in capital; and for this and other reasons, the United States, in contrast with most of the other thirteen or fourteen countries imposing the excess profits tax, prefers to start with the capital basis. . . .

My own belief is that the most practicable treatment yet suggested for this situation is a valuation of capital assets as of some date, say January first, preceding the war. We must get rid of the war, that greatest of all abnormalities . . . we must start with a practicable and reasonably equitable determination of normal capital value. Until this foundation of the tax has been built, and built upon rock, the excess profits tax can only be a temporary makeshift.

*Resolution on Taxation by the National Association of Manufacturers**

WHEREAS, the Committee on Taxation of the National Association of Manufacturers has placed before this Association a constructive policy and a program of remedial improvement in the present law, therefore be it

Resolved, that the National Association of Manufacturers in convention assembled recognizes that industry must generously contribute to meet the great burden imposed by the necessities of national defense and readjustment but that no system of taxation can be in the public interest that does not undertake to spread the burden of public support in due proportion over all classes of our citizenship; to disproportionately burden industrial investment and production is to discourage those factors of national life which by their nature contribute most powerfully to social progress.

The resolution was agreed to.

J. A. Hobson: The Industrial System † (pp. 224-5)

As "unearned income" this unproductive surplus is seen to be the only properly taxable body, for any tax which falls upon that income which is either cost of production or productive surplus encroaches on the fund of maintenance or progress, thus reducing the future efficiency of industry. It is, therefore, of paramount importance to the State to discover the forms and the magnitude of the "unproductive surplus." For a sound fiscal policy will be directed to secure for the State from this source such public income as it requires for the development of public services. . . .

This is the supreme issue of public finance, to determine what proportion of the surplus can be advantageously taken as public income to be applied to the growth of state functions. This proportion will evidently vary, not merely with the nature of the

* Proceedings, May 21, 1919

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political economic civilization, but with the actual conditions of the distribution of the surplus. Where the "surplus" is small, and upon the whole is apportioned in accordance with the "needs" of the several factors of production, the state would make a moderate use of its taxing power, having in mind the nice adjustment of the use of surplus for individual and social growth. But where a large surplus was quite evidently absorbed by the economic force of some factor whose efficiency it hindered rather than helped, the state would apply its taxing powers rigorously so as to absorb this wasted surplus.

Our analysis of the actual working of the industrial system has shown the emergence of large quantities of waste surplus. It is to the social utilization of this waste surplus that the taxing power of the state is rightly directed. For the economic rents, the extra profits, interest, salaries, etc., which are got by the use of economic force in creating monopolies or artificial scarcities, are not merely failing to perform the true functions of a surplus, as the fund of progress, in stimulating the efficiency of factors of production, they are damaging efficiency, by enabling whole classes of persons to be consumers without producing. Such injurious consumption of the surplus in destroying efficiency it is the evident duty of the state to stop; and a taxing policy which transfers such private destruction of efficiency into the means of a public increase of efficiency is doubly productive.

Thus the true policy of public revenue is based upon the duty of the state to take as public income whatever portion of the surplus is not already allocated to the stimulation of efficiency of the individual factors of production, but is taken in rents, extra profits, or other "unearned" income. . . .

States dominated by shortsighted avarice may sometimes attempt to encroach by taxes upon the subsistence fund of labor or capital, or at least to annex that additional payment required to evoke and to support progressive efficiency in the industrial system. This "sweating" policy has frequently been practiced by despotic rulers or classes, utilizing the powers of the state to make forced levies on the resources of the people.

Such an abuse of taxing power in its operation upon agriculture has probably been the greatest single influence throughout history in the retardation of industry; and many modern civilized states, by mistaken methods of taxation which assail costs of production and divert the factors of production from more productive into less productive channels, inflict upon single trades or upon the national industry injuries which weaken its present and its future yield of surplus, so diminishing the fund of public revenue.

4. LABOR AND THE NEW SOCIAL ORDER

A draft report on Reconstruction submitted by the Executive Committee of the British Labor Party at the 17th Annual Conference, Nottingham, Jan. 23-25, 1918

It behooves the Labor party, in formulating its own program for reconstruction after the war, and in criticizing the various preparations and plans that are being made by the present government, to look at the problem as a whole. We have to make clear what it is that we wish to construct. It is important to emphasize the fact that, whatever may be the case with regard to other political parties, our detailed practical proposals proceed from definitely held principles.

THE END OF A CIVILIZATION

We need to beware of patchwork. The view of the Labor party is that what has to be reconstructed after the war is not this or that government department, or this or that piece of social machinery; but, so far as Britain is concerned, society itself. The individual worker, or for that matter the individual statesman, immersed in daily routine—like the individual soldier in a battle—easily fails to understand the magnitude and far-reaching importance of what is taking place around him. How does it fit together as a whole? How does it look from a distance? Count Okuma, one of the oldest, most experienced and ablest of the statesmen of Japan, watching the present conflict from the other side of the globe, declares it to be nothing less than the death of European civilization. Just as in the past the civilization of Babylon, Egypt, Greece, Carthage and the great Roman empire have been successively destroyed, so, in the judgment of this detached observer, the civilization of all Europe is even now receiving its death blow. We of the Labor party can so far agree in this estimate as to recognize, in the present world catastrophe, if not the death, in Europe, of civilization itself, at any rate the culmination and collapse of a distinctive industrial civilization, which the workers will not seek to reconstruct. At such times of crisis it is easier to slip into ruin than to progress into higher forms of organization. That is the problem as it presents itself to the Labor party.

What this war is consuming is not merely the security, the

homes, the livelihood and the lives of millions of innocent families, and an enormous proportion of all the accumulated wealth of the world, but also the very basis of the peculiar social order in which it has arisen. The individualist system of capitalist production, based on the private ownership and competitive administration of land and capital, with its reckless "profiteering" and wage-slavery; with its glorification of the unhampered struggle for the means of life and its hypocritical pretense of the "survival of the fittest"; with the monstrous inequality of circumstances which it produces and the degradation and brutalization, both moral and spiritual, resulting therefrom, may, we hope, indeed have received a death blow. With it must go the political system and ideas in which it naturally found expression. We of the Labor party, whether in opposition or in due time called upon to form an administration, will certainly lend no hand to its revival. On the contrary, we shall do our utmost to see that it is buried with the millions whom it has done to death. If we in Britain are to escape from the decay of civilization itself, which the Japanese statesman foresees, we must ensure that what is presently to be built up is a new social order, based not on fighting but on fraternity—not on the competitive struggle for the means of bare life, but on a deliberately planned coöperation in production and distribution for the benefit of all who participate by hand or by brain—not on the utmost possible inequality of riches, but on a systematic approach towards a healthy equality of material circumstances for every person born into the world—not on an enforced dominion over subject nations, subject races, subject colonies, subject classes, or a subject sex, but, in industry as well as in government, on that equal freedom, that general consciousness of consent, and that widest possible participation in power, both economic and political, which is characteristic of democracy. We do not, of course, pretend that it is possible, even after the drastic clearing away that is now going on, to build society anew in a year or two of feverish "reconstruction." What the Labor party intends to satisfy itself about is that each brick that it helps to lay shall go to erect the structure that it intends, and no other.

THE PILLARS OF THE HOUSE

We need not here recapitulate, one by one, the different items in the Labor party's program, which successive party conferences have adopted. These proposals, some of them in various publications worked out in practical detail, are often carelessly derided as impracticable, even by the politicians who steal them piecemeal from us! The members of the Labor party, themselves actually working

by hand or by brain, in close contact with the facts, have perhaps at all times a more accurate appreciation of what is practicable, in industry as in politics, than those who depend solely on academic instruction or are biased by great possessions. But to-day no man dares to say that anything is impracticable. The war which has scared the old political parties right out of their dogmas, has taught every statesman and every government official, to his enduring surprise, how very much more can be done along the lines that we have laid down than he had ever before thought possible. What we now promulgate as our policy, whether for opposition or for office, is not merely this or that specific reform, but a deliberately thought out, systematic, and comprehensive plan for that immediate social rebuilding which any ministry, whether or not it desires to grapple with the problem, will be driven to undertake. The four pillars of the house that we propose to erect, resting upon the common foundation of the democratic control of society in all its activities, may be termed:

- (a) The Universal Enforcement of the National Minimum;
- (b) The Democratic Control of Industry;
- (c) The Revolution in National Finance; and
- (d) The Surplus Wealth for the Common Good.

THE UNIVERSAL ENFORCEMENT OF A NATIONAL MINIMUM

The first principle of the Labor party—in significant contrast with those of the capitalist system, whether expressed by the Liberal or by the Conservative party—is the securing to every member of the community, in good times and bad alike (and not only to the strong and able, the well born or the fortunate), of all the requisites of healthy life and worthy citizenship. This is in no sense a “class” proposal. Such an amount of social protection of the individual, however poor and lowly, from birth to death, is, as the economist now knows, as indispensable to fruitful cooperation as it is to successful combination; and it affords the only complete safeguard against that insidious degradation of the standard of life which is the worst economic and social calamity to which any community can be subjected. We are members one of another. No man liveth to himself alone. If any, even the humblest, is made to suffer, the whole community and every one of us, whether or not we recognize the fact, is thereby injured. Generation after generation this has been the corner-stone of the faith of Labor. It will be the guiding principle of any Labor government.

The Legislative Regulation of Employment

Thus it is that the Labor party to-day stands for the universal application of the policy of the national minimum, to which (as embodied in the successive elaborations of the Factory, Mines, Railways, Shops, Merchant Shipping, and Truck acts, the Public Health, Housing, and Education acts and the Minimum Wage act—all of them aiming at the enforcement of at least the prescribed minimum of leisure, health, education, and subsistence) the spokesmen of Labor have already gained the support of the enlightened statesmen and economists of the world. All these laws purporting to protect against extreme degradation of the standard of life need considerable improvement and extension, whilst their administration leaves much to be desired. For instance, the Workmen's Compensation act fails shamefully, not merely to secure proper provision for all the victims of accident and industrial disease, but what is much more important, does not succeed in preventing their continual increase. The amendment and consolidation of the Factory and Workshops acts, with their extension to all employed persons, is long overdue, and it will be the policy of Labor greatly to strengthen the staff of inspectors, especially by the addition of more men and women of actual experience of the workshop and the mine. The Coal Mines (Minimum Wage) act must certainly be maintained in force, and suitably amended, so as both to insure greater uniformity of conditions among the several districts, and to make the district minimum in all cases an effective reality. The same policy will, in the interests of the agricultural laborers, dictate the perpetuation of the Legal Wage clauses of the new Corn law just passed for a term of five years, and the prompt amendment of any defects that may be revealed in their working. And, in view of the fact that many millions of wage-earners, notably women and the less skilled workmen in various occupations, are unable by combination to obtain wages adequate for decent maintenance in health, the Labor party intends to see to it that the Trade Boards act is suitably amended and made to apply to all industrial employments in which any considerable number of those employed obtain less than 30s. per week. This minimum of not less than 30s. per week (which will need revision according to the level of prices) ought to be the very lowest statutory base line for the least skilled adult workers, men or women, in any occupation, in all parts of the United Kingdom.

The Organization of Demobilization

But the coming industrial dislocation, which will inevitably follow the discharge from war service of half of all the working population, imposes new obligations upon the community. The demobilization and discharge of the eight million wage-earners now being paid from public funds, either for service with the colors or in munition work and other war trades, will bring to the whole wage-earning class grave peril of unemployment, reduction of wages, and a lasting degradation of the standard of life, which can be prevented only by deliberate national organization. The Labor party has repeatedly called upon the present government to formulate its plan, and to make in advance all arrangements necessary for coping with so unparalleled a dislocation. The policy to which the Labor party commits itself is unhesitating and uncompromising. It is plain that regard should be had, in stopping government orders, reducing the staff of the national factories and demobilizing the army, to the actual state of employment in particular industries and in different districts, so as both to release first the kinds of labor most urgently required for the revival of peace production, and to prevent any congestion of the market. It is no less imperative that suitable provision against being turned suddenly adrift without resources should be made, not only for the soldiers, but also for the three million operatives in munition work and other war trades, who will be discharged long before most of the army can be disbanded. On this important point, which is the most urgent of all, the present government has, we believe, down to the present hour, formulated no plan, and come to no decision, and neither the Liberal nor the Conservative party has apparently deemed the matter worthy of agitation. Any government which should allow the discharged soldier or munition worker to fall into the clutches of charity or the Poor law would have to be instantly driven from office by an outburst of popular indignation. What every one of them will look for is a situation in accordance with his capacity.

Securing Employment for All

The Labor party insists—as no other political party has thought fit to do—that the obligation to find suitable employment in productive work for all these men and women rests upon the government for the time being. The work of re-settling the disbanded soldiers and discharged munition workers into new situations is a

national obligation; and the Labor party emphatically protests against its being regarded as a matter for private charity. It strongly objects to this public duty being handed over either to committees of philanthropists or benevolent societies, or to any of the military or recruiting authorities. The policy of the Labor party in this matter is to make the utmost use of the trade unions, and, equally for the brainworkers, of the various professional associations. In view of the fact that, in any trade, the best organization for placing men in situations is a national trade union having local branches throughout the kingdom, every soldier should be allowed, if he chooses, to have a duplicate of his industrial discharge notice sent, one month before the date fixed for his discharge, to the secretary of the trade union to which he belongs or wishes to belong. Apart from this use of the trade union (and a corresponding use of the professional association) the government must, of course, avail itself of some such public machinery as that of the employment exchanges; but before the existing exchanges (which will need to be greatly extended) can receive the coöperation and support of the organized Labor movement, without which their operations can never be fully successful, it is imperative that they should be drastically reformed, on the lines laid down in the Demobilization Report of the "Labor After the War" Joint Committee; and, in particular, that each exchange should be placed under the supervision and control of a joint committee of employers and trade unionists in equal numbers.

The responsibility of the government, for the time being, in the grave industrial crisis that demobilization will produce, goes, however, far beyond the eight million men and women whom the various departments will suddenly discharge from their own service. The effect of this peremptory discharge on all the other workers has also to be taken into account. To the Labor party it will seem the supreme concern of the government of the day to see to it that there shall be, as a result of the gigantic "General Post" which it will itself have deliberately set going, nowhere any degradation of the standard of life. The government has pledged itself to restore the trade union conditions and "pre-war practices" of the workshop, which the trade unions patriotically gave up at the direct request of the government itself; and this solemn pledge must be fulfilled, of course, in the spirit as well as in the letter. The Labor party, moreover, holds it to be the duty of the government of the day to take all necessary steps to prevent the standard rates of wages, in any trade or occupation whatsoever, from suffering any reduction, relatively to the contemporary cost of living. Unfortunately, the present government, like the Liberal and Conservative

parties, so far refuses to speak on this important matter with any clear voice. We claim that it should be a cardinal point of government policy to make it plain to every capitalist employer that any attempt to reduce the customary rates of wages when peace comes, or to take advantage of the dislocation of demobilization to worsen the conditions of employment in any grade whatsoever, will certainly lead to embittered industrial strife, which will be in the highest degree detrimental to the national interests; and that the government of the day will not hesitate to take all necessary steps to avert such a calamity. In the great impending crisis the government of the day should not only, as the greatest employer of both brainworkers and manual workers, set a good example in this respect, but should also actively seek to influence private employers by proclaiming in advance that it will not itself attempt to lower the standard rates of conditions in public employment; by announcing that it will insist on the most rigorous observance of the fair wages clause in all public contracts, and by explicitly recommending every local authority to adopt the same policy.

But nothing is more dangerous to the standard of life, or so destructive of those minimum conditions of healthy existence, which must in the interests of the community be assured to every worker, than any widespread or continued unemployment. It has always been a fundamental principle of the Labor party (a point on which, significantly enough, it has not been followed by either of the other political parties) that, in a modern industrial community, it is one of the foremost obligations of the government to find, for every willing worker, whether by hand or by brain, productive work at standard rates.

It is accordingly the duty of the government to adopt a policy of deliberately and systematically preventing the occurrence of unemployment, instead of, as heretofore, letting unemployment occur, and then seeking, vainly and expensively, to relieve the unemployed. It is now known that the government can, if it chooses, arrange the public works and the orders of national departments and local authorities in such a way as to maintain the aggregate demand for labor in the whole kingdom (including that of capitalist employers) approximately at a uniform level from year to year; and it is therefore a primary obligation of the government to prevent any considerable or widespread fluctuations in the total numbers employed in times of good or bad trade. But this is not all. In order to prepare for the possibility of there being any unemployment, either in the course of demobilization or in the first years of peace, it is essential that the government should make all necessary preparations for putting instantly in hand, directly or

through the local authorities, such urgently needed public works as (a) the rehousing of the population alike in rural districts, mining villages, and town slums, to the extent, possibly, of a million new cottages and an outlay of three hundred millions sterling; (b) the immediate making good of the shortage of schools, training colleges, technical colleges, etc., and the engagement of the necessary additional teaching, clerical, and administrative staffs; (c) new roads; (d) light railways; (e) the unification and reorganization of the railway and canal system; (f) afforestation; (g) the reclamation of land; (h) the development and better equipment of our ports and harbors; (i) the opening up of access to land by coöperative small holdings and in other practicable ways. Moreover, in order to relieve any pressure of an overstocked labor market, the opportunity should be taken, if unemployment should threaten to become widespread, (a) immediately to raise the school-leaving age to sixteen; (b) greatly to increase the number of scholarships and bursaries for secondary and higher education; and (c) substantially to shorten the hours of labor of all young persons, even to a greater extent than the eight hours per week contemplated in the new Education bill, in order to enable them to attend technical and other classes in the daytime. Finally, wherever practicable, the hours of adult labor should be reduced to not more than forty-eight per week, without reduction of the standard rates of wages. There can be no economic or other justification for keeping any man or woman to work for long hours, or at overtime, whilst others are unemployed.

Social Insurance against Unemployment

In so far as the government fails to prevent unemployment—whenever it finds it impossible to discover for any willing worker, man or woman, a suitable situation at the standard rate—the Labor party holds that the government must, in the interest of the community as a whole, provide him or her with adequate maintenance, either with such arrangements for honorable employment or with such useful training as may be found practicable, according to age, health and previous occupation. In many ways the best form of provision for those who must be unemployed, because the industrial organization of the community so far breaks down as to be temporarily unable to set them to work, is the Out of Work Benefit afforded by a well-administered trade union. This is a special tax on the trade unionists themselves which they have voluntarily undertaken, but towards which they have a right to claim a public subvention—a subvention which was actually granted by Parlia-

ment (though only to the extent of a couple of shillings or so per week) under Part II of the Insurance act.

The arbitrary withdrawal by the government in 1915 of this statutory right of the trade unions was one of the least excusable of the war economies; and the Labor party must insist on the resumption of this subvention immediately the war ceases, and on its increase to at least half the amount spent in Out of Work Benefit. The extension of state unemployment insurance to other occupations may afford a convenient method of providing for such of the unemployed, especially in the case of badly paid women workers and the less skilled men, whom it is difficult to organize in trade unions. But the weekly rate of the state unemployment benefit needs, in these days of high prices, to be considerably raised; whilst no industry ought to be compulsorily brought within its scope against the declared will of the workers concerned, and especially of their trade unions. In the twentieth century there must be no question of driving the unemployed to anything so obsolete and discredited as either private charity, with its haphazard and ill-considered doles, or the Poor law, with the futilities and barbarities of its "Stone Yard," or its "Able-Bodied Test Workhouse." Only on the basis of a universal application of the Policy of the National Minimum, affording complete security against destitution, in sickness and health, in good times and bad alike, to every member of the community can any worthy social order be built up.

THE DEMOCRATIC CONTROL OF INDUSTRY

The universal application of the policy of the national minimum is, of course, only the first of the pillars of the house that the Labor party intends to see built. What marks off this party most distinctly from any of the other political parties is its demand for the full and genuine adoption of the principle of democracy. The first condition of democracy is effective personal freedom. This has suffered so many encroachments during the war that it is necessary to state with clearness that the complete removal of all the war-time restrictions on freedom of speech, freedom of publication, freedom of the press, freedom of travel and freedom of choice of place of residence and kind of employment must take place the day after peace is declared. The Labor party declares emphatically against any continuance of the Military Service acts a moment longer than the imperative requirements of the war excuse. But individual freedom is of little use without complete political rights. The Labor party sees its repeated demands largely conceded in the present Representation of the People act, but not yet wholly satis-

fied. The party stands, as heretofore, for complete adult suffrage, with not more than a three months' residential qualification, for effective provision for absent electors to vote, for absolutely equal rights for both sexes, for the same freedom to exercise civic rights for the "common soldier" as for the officer, for shorter Parliaments, for the complete abolition of the House of Lords, and for a most strenuous opposition to any new Second Chamber, whether elected or not, having in it any element of heredity or privilege, or of the control of the House of Commons by any party or class. But unlike the Conservative and Liberal parties, the Labor party insists on democracy in industry as well as in government. It demands the progressive elimination from the control of industry of the private capitalist, individual or joint-stock; and the setting free of all who work, whether by hand or by brain, for the service of the community, and of the community only. And the Labor party refuses absolutely to believe that the British people will permanently tolerate any reconstruction or perpetuation of the disorganization, waste and inefficiency involved in the abandonment of British industry to a jostling crowd of separate private employers, with their minds bent, not on the service of the community, but—by the very law of their being—only on the utmost possible profiteering. What the nation needs is undoubtedly a great bound onward in its aggregate productivity. But this cannot be secured merely by pressing the manual workers to more strenuous toil, or even by encouraging the "Captains of Industry" to a less wasteful organization of their several enterprises on a profit-making basis. What the Labor party looks to is a genuinely scientific reorganization of the nation's industry, no longer deflected by individual profiteering, on the basis of the common ownership of the means of production; the equitable sharing of the proceeds among all who participate in any capacity and only among these, and the adoption, in particular services and occupations, of those systems and methods of administration and control that may be found, in practice, best to promote the public interest.

Immediate Nationalization

The Labor party stands not merely for the principle of the common ownership of the nation's land, to be applied as suitable opportunities occur, but also, specifically, for the immediate nationalization of railways, mines and the production of electrical power. We hold that the very foundation of any successful reorganization of British industry must necessarily be found in the provision of the utmost facilities for transport and communication, the produc-

tion of power at the cheapest possible rate and the most economical supply of both electrical energy and coal to every corner of the kingdom. Hence the Labor party stands, unhesitatingly, for the national ownership and administration of the railways and canals, and their union, along with harbors and roads, and the posts and telegraphs—not to say also the great lines of steamers which could at once be owned, if not immediately directly managed in detail, by the government—in a united national service of communication and transport; to be worked, unhampered by capitalist, private or purely local interests (and with a steadily increasing participation of the organized workers in the management, both central and local), exclusively for the common good. If any government should be so misguided as to propose, when peace comes, to hand the railways back to the shareholders; or should show itself so spendthrift of the nation's property as to give these shareholders any enlarged franchise by presenting them with the economies of unification or the profits of increased railway rates; or so extravagant as to bestow public funds on the reëquipment of privately owned lines—all of which things are now being privately intrigued for by the railway interests—the Labor party will offer any such project the most strenuous opposition. The railways and canals, like the roads, must henceforth belong to the public.

In the production of electricity, for cheap power, light, and heating, this country has so far failed, because of hampering private interests, to take advantage of science. Even in the largest cities we still “peddle” our electricity on a contemptibly small scale. What is called for immediately after the war is the erection of a score of gigantic “super-power stations,” which could generate, at incredibly cheap rates, enough electricity for the use of every industrial establishment and every private household in Great Britain; the present municipal and joint-stock electrical plants being universally linked up and used for local distribution. This is inevitably the future of electricity. It is plain that so great and so powerful an enterprise, affecting every industrial enterprise and, eventually, every household, must not be allowed to pass into the hands of private capitalists. They are already pressing the government for the concession, and neither the Liberal nor the Conservative party has yet made up its mind to a refusal of such a new endowment of profiteering in what will presently be the life blood of modern productive industry. The Labor party demands that the production of electricity on the necessary gigantic scale shall be made, from the start (with suitable arrangements for municipal coöperation in local distribution), a national enterprise, to

be worked exclusively with the object of supplying the whole kingdom with the cheapest possible power, light and heat.

But with railways and the generation of electricity in the hands of the public, it would be criminal folly to leave to the present one thousand five hundred colliery companies the power of "holding up" the coal supply. These are now all working under public control, on terms that virtually afford to their shareholders a statutory guarantee of their swollen incomes. The Labor party demands the immediate nationalization of mines, the extraction of coal and iron being worked as a public service (with a steadily increasing participation in the management, both central and local, of the various grades of persons employed); and the whole business of the retail distribution of household coal being undertaken, as a local public service, by the elected municipal or county councils. And there is no reason why coal should fluctuate in price any more than railway fares, or why the consumer should be made to pay more in winter than in summer, or in one town than another. What the Labor party would aim at is, for household coal of standard quality, a fixed and uniform price for the whole kingdom, payable by rich and poor alike, as unalterable as the penny postage stamp.

But the sphere of immediate nationalization is not restricted to these great industries. We shall never succeed in putting the gigantic system of health insurance on a proper footing, or secure a clear field for the beneficent work of the Friendly Societies, or gain a free hand for the necessary development of the urgently called for Ministry of Health and the Local Public Health Service, until the nation expropriates the profit-making industrial insurance companies, which now so tyrannously exploit the people with their wasteful house-to-house industrial life assurance. Only by such an expropriation of life assurance companies can we secure the universal provision, free from the burdensome toll of weekly pence, of the indispensable funeral benefit. Nor is it in any sense a "class" measure. Only by the assumption by a state department of the whole business of life assurance can the millions of policy-holders of all classes be completely protected against the possibly calamitous results of the depreciation of securities and suspension of bonuses which the war is causing. Only by this means can the great staff of insurance agents find their proper place as civil servants, with equitable conditions of employment, compensation for any disturbance and security of tenure, in a nationally organized public service for the discharge of the steadily increasing functions of the government in vital statistics and social insurance.

In quite another sphere the Labor party sees the key to tem-

perance reform in taking the entire manufacture and retailing of alcoholic drink out of the hands of those who find profit in promoting the utmost possible consumption. This is essentially a case in which the people, as a whole, must deal with the licensing question in accordance with local opinion. For this purpose, localities should have conferred upon them facilities: (a) To prohibit the sale of liquor within their boundaries; (b) To reduce the number of licenses and regulate the conditions under which they may be held; and (c) If a locality decides that licenses are to be granted, to determine whether such licenses shall be under private or any form of public control.

Other main industries, especially those now becoming monopolized, should be nationalized as opportunity offers. Moreover, the Labor party holds that the municipalities should not confine their activities to the necessarily costly services of education, sanitation and police; nor yet rest content with acquiring control of the local water, gas, electricity and tramways; but that every facility should be afforded to them to acquire (easily, quickly and cheaply) all the land they require, and to extend their enterprises in housing and town planning, parks, and public libraries, the provision of music and the organization of recreation; and also to undertake, besides the retailing of coal, other services of common utility, particularly the local supply of milk, wherever this is not already fully organized by a cooperative society.

Control of Capitalist Industry

Meanwhile, however, we ought not to throw away the valuable experience now gained by the government in its assumption of the importation of wheat, wool, metals, and other commodities, and in its control of the shipping, woollen, leather, clothing, boot and shoe, milling, baking, butchering, and other industries. The Labor party holds that, whatever may have been the shortcomings of this government importation and control, it has demonstrably prevented a lot of "profiteering." Nor can it end immediately on the declaration of peace. The people will be extremely foolish if they ever allow their indispensable industries to slip back into the unfettered control of private capitalists, who are, actually at the instance of the government itself, now rapidly combining, trade by trade, into monopolist trusts, which may presently become as ruthless in their extortion as the worst American examples. Standing as it does for the democratic control of industry, the Labor party would think twice before it sanctioned any abandonment of the present profitable centralization of purchase of raw material; of the present care-

fully organized "rationing," by joint committees of the trades concerned, of the several establishments with the materials they require; of the present elaborate system of "costing" and public audit of manufacturers' accounts, so as to stop the waste heretofore caused by the mechanical inefficiency of the more backward firms; of the present salutary publicity of manufacturing processes and expenses thereby insured; and, on the information thus obtained (in order never again to revert to the old-time profiteering) of the present rigid fixing, for standardized products, of maximum prices at the factory, at the warehouse of the wholesale trader and in the retail shop. This question of the retail prices of household commodities is emphatically the most practical of all political issues to the woman elector. The male politicians have too long neglected the grievances of the small household, which is the prey of every profiteering combination; and neither the Liberal nor the Conservative party promises, in this respect, any amendment. This, too, is in no sense a "class" measure. It is, so the Labor party holds, just as much the function of government, and just as necessary a part of the democratic regulation of industry, to safeguard the interests of the community as a whole, and those of all grades and sections of private consumers, in the matter of prices, as it is, by the Factory and Trade Boards acts, to protect the rights of the wage-earning producers in the matter of wages, hours of labor and sanitation.

A REVOLUTION IN NATIONAL FINANCE

In taxation, also, the interests of the professional and house-keeping classes are at one with those of the manual workers. Too long has our national finance been regulated, contrary to the teaching of political economy, according to the wishes of the possessing classes and the profits of the financiers. The colossal expenditure involved in the present war (of which, against the protest of the Labor party, only a quarter has been raised by taxation, whilst three-quarters have been borrowed at onerous rates of interest, to be a burden on the nation's future) brings things to a crisis. When peace comes, capital will be needed for all sorts of social enterprises, and the resources of government will necessarily have to be vastly greater than they were before the war. Meanwhile innumerable new private fortunes are being heaped up by those who have taken advantage of the nation's needs; and the one-tenth of the population which owns nine-tenths of the riches of the United Kingdom, far from being made poorer, will find itself, in the aggregate, as a result of the war, drawing in rent and interest and dividends a larger nominal income than ever before. Such a posi-

tion demands a revolution in national finance. How are we to discharge a public debt that may well reach the almost incredible figure of seven thousand million pounds sterling, and at the same time raise an annual revenue which, for local as well as central government, must probably reach one thousand millions a year? It is over this problem of taxation that the various political parties will be found to be most sharply divided.

The Labor party stands for such a system of taxation as will yield all the necessary revenue to the government without encroaching on the prescribed national minimum standard of life of any family whatsoever; without hampering production or discouraging any useful personal effort, and with the nearest possible approximation to equality of sacrifice. We definitely repudiate all proposals for a protective tariff, in whatever specious guise they may be cloaked, as a device for burdening the consumer with unnecessarily enhanced prices, to the profit of the capitalist employer or landed proprietor, who avowedly expects his profit or rent to be increased thereby. We shall strenuously oppose any taxation, of whatever kind, which would increase the price of food or of any other necessary of life. We hold that indirect taxation on commodities, whether by customs or excise, should be strictly limited to luxuries; and concentrated principally on those of which it is socially desirable that the consumption should be actually discouraged. We are at one with the manufacturer, the farmer, and the trader in objecting to taxes interfering with production or commerce, or hampering transport and communications. In all these matters—once more in contrast with the other political parties, and by no means in the interests of the wage-earners alone—the Labor party demands that the very definite teachings of economic science should no longer be disregarded as they have been in the past.

For the raising of the greater part of the revenue now required the Labor party looks to the direct taxation of the incomes above the necessary cost of family maintenance; and, for the requisite effort to pay off the national debt, to the direct taxation of private fortunes both during life and at death. The income tax and super-tax ought at once to be thoroughly reformed in assessment and collection, in abatements and allowances and in graduation and differentiation, so as to levy the required total sum in such a way as to make the real sacrifice of all the tax-payers as nearly as possible equal. This would involve assessment by families instead of by individual persons, so that the burden is alleviated in proportion to the number of persons to be maintained. It would involve the raising of the present unduly low minimum income assessable to the tax, and the lightening of the present unfair burden on

the great mass of professional and small trading classes by a new scale of graduation, rising from a penny in the pound on the smallest assessable income up to sixteen or even nineteen shillings in the pound on the highest income of the millionaires. It would involve bringing into assessment the numerous windfalls of profit that now escape, and a further differentiation between essentially different kinds of income. The excess profits tax might well be retained in an appropriate form, whilst, so long as mining royalties exist, the mineral rights duty ought to be increased. The steadily rising unearned increment of urban and mineral land ought, by an appropriate direct taxation of land values, to be wholly brought into the public exchequer. At the same time, for the service and redemption of the national debt, the death duties ought to be regraduated, much more strictly collected, and greatly increased. In this matter we need, in fact, completely to reverse our point of view, and to rearrange the whole taxation of inheritance from the standpoint of asking what is the maximum amount that any rich man should be permitted at death to divert, by his will, from the national exchequer, which should normally be the heir to all private riches in excess of a quite moderate amount by way of family provision. But all this will not suffice. It will be imperative at the earliest possible moment to free the nation from at any rate the greater part of its new load of interest bearing debt for loans which ought to have been levied as taxation; and the Labor party stands for a special capital levy to pay off, if not the whole, a very substantial part of the entire national debt—a capital levy chargeable like the death duties on all property, but (in order to secure approximate equality of sacrifice) with exemption of the smallest savings, and for the rest at rates very steeply graduated, so as to take only a small contribution from the little people and a very much larger percentage from the millionaires.

Over this issue of how the financial burden of the war is to be borne, and how the necessary revenue is to be raised, the greatest political battles will be fought. In this matter the Labor party claims the support of four-fifths of the whole nation, for the interests of the clerk, the teacher, the doctor, the minister of religion, the average retail shopkeeper and trader, and all the mass of those living on small incomes are identical with those of the artisan. The landlords, the financial magnates, the possessors of great fortunes will not, as a class, willingly forego the relative immunity that they have hitherto enjoyed. The present unfair subjection of the co-operative society to an excess profits tax on the "profits" which it has never made—specially dangerous as "the thin end of the wedge" of penal taxation of this laudable form of democratic enter-

prise—will not be abandoned without a struggle. Every possible effort will be made to juggle with the taxes, so as to place upon the shoulders of the mass of laboring folk and upon the struggling households of the professional men and small traders (as was done after every previous war)—whether by customs or excise duties, by industrial monopolies, by unnecessarily high rates of postage and railway fares, or by a thousand and one other ingenious devices—an unfair share of the national burden. Against these efforts the Labor party will take the firmest stand.

THE SURPLUS FOR THE COMMON GOOD

In the disposal of the surplus above the standard of life society has hitherto gone as far wrong as in its neglect to secure the necessary basis of any genuine industrial efficiency or decent social order. We have allowed the riches of our mines, the rental value of the lands superior to the margin of cultivation, the extra profits of the fortunate capitalists, even the material outcome of scientific discoveries—which ought by now to have made this Britain of ours immune from class poverty or from any widespread destitution—to be absorbed by individual proprietors; and then devoted very largely to the senseless luxury of an idle rich class. Against this misappropriation of the wealth of the community, the Labor party—speaking in the interests not of the wage-earners alone, but of every grade and section of producers by hand or by brain, not to mention also those of the generations that are to succeed us, and of the permanent welfare of the community—emphatically protests. One main pillar of the house that the Labor party intends to build is the future appropriation of the surplus, not to the enlargement of any individual fortune, but to the common good. It is from this constantly arising surplus (to be secured, on the one hand, by nationalization and municipalization and, on the other, by the steeply graduated taxation of private income and riches) that will have to be found the new capital which the community day by day needs for the perpetual improvement and increase of its various enterprises, for which we shall decline to be dependent on the usury exacting financiers. It is from the same source that has to be defrayed the public provision for the sick and infirm of all kinds (including that for maternity and infancy) which is still so scandalously insufficient; for the aged and those prematurely incapacitated by accident or disease, now in many ways so imperfectly cared for; for the education alike of children, of adolescents and of adults, in which the Labor party demands a genuine equality of opportunity overcoming all differences of material circumstances; and for the organization

of public improvements of all kinds, including the brightening of the lives of those now condemned to almost ceaseless toil, and a great development of the means of recreation. From the same source must come the greatly increased public provision that the Labor party will insist on being made for scientific investigation and original research, in every branch of knowledge, not to say also for the promotion of music, literature and fine art, which have been under capitalism so greatly neglected, and upon which, so the Labor party holds, any real development of civilization fundamentally depends. Society, like the individual, does not live by bread alone—does not exist only for perpetual wealth production. It is in the proposal for this appropriation of every surplus for the common good—in the vision of its resolute use for the building up of the community as a whole instead of for the magnification of individual fortunes—that the Labor party, as the party of the producers by hand or by brain, most distinctively marks itself off from the older political parties, standing, as these do, essentially for the maintenance, unimpaired, of the perpetual private mortgage upon the annual product of the nation that is involved in the individual ownership of land and capital.

THE STREET OF TO-MORROW

The house which the Labor party intends to build, the four pillars of which have now been described, does not stand alone in the world. Where will it be in the street of to-morrow? If we repudiate, on the one hand, the imperialism that seeks to dominate other races, or to impose our own will on other parts of the British empire, so we disclaim equally any conception of a selfish and insular "non-interventionism," unregarding of our special obligations to our fellow-citizens overseas, of the corporate duties of one nation to another; of the moral claims upon us of the non-adult races, and of our own indebtedness to the world of which we are part. We look for an ever-increasing intercourse, a constantly developing exchange of commodities, a continually expanding friendly cooperation among all the peoples of the world. With regard to that great commonwealth of all races, all colors, all religions and all degrees of civilization, that we call the British empire, the Labor party stands for its maintenance and its progressive development on the lines of local autonomy and "Home Rule All Round"; the fullest respect for the rights of each people, whatever its color, to all the democratic self-government of which it is capable, and to the proceeds of its own toil upon the resources of its own territorial home; and the closest possible coöperation among all the various members of what

has become essentially not an empire in the old sense, but a Britannic alliance.

We desire to maintain the most intimate relations with the Labor parties overseas. Like them, we have no sympathy with the projects of "Imperial Federation," in so far as these imply the subjection to a common imperial legislature wielding coercive power (including dangerous facilities for coercive imperial taxation and for enforced military service), either of the existing self-government Dominions, whose autonomy would be thereby invaded; or of the United Kingdom, whose freedom of democratic self-development would be thereby hampered; or of India and the colonial dependencies, which would thereby run the risk of being further exploited for the benefit of a "White Empire." We do not intend by any such "Imperial Senate," either to bring the plutocracy of Canada and South Africa to the aid of the British aristocracy, or to enable the landlords and financiers of the mother country to unite in controlling the growing popular democracies overseas. The autonomy of each self-governing part of the empire must be intact.

What we look for, besides a constant progress in democratic self-government of every part of the Britannic alliance, and especially in India, is a continuous participation of the ministers of the Dominions, of India, and eventually of other dependencies (perhaps by means of their own ministers specially resident in London for this purpose) in the most confidential deliberations of the Cabinet, so far as foreign policy and imperial affairs are concerned; and the annual assembly of an Imperial Council, representing all constituents of the Britannic alliance and all parties in their local legislatures, which should discuss all matters of common interest, but only in order to make recommendations for the simultaneous consideration of the various autonomous local legislatures of what should increasingly take the constitutional form of an alliance of free nations. And we carry the idea further. As regards our relations to foreign countries, we disavow and disclaim any desire or intention to dispossess or to impoverish any other state or nation. We seek no increase of territory. We disclaim all idea of "economic war." We ourselves object to all protective customs tariffs; but we hold that each nation must be left free to do what it thinks best for its own economic development without thought of injuring others. We believe that nations are in no way damaged by each other's economic prosperity or commercial progress; but, on the contrary, that they are actually themselves mutually enriched thereby. We would therefore put an end to the old entanglements and mystifications of secret diplomacy and the formation of leagues against leagues.

We stand for the immediate establishment, actually as a part of the treaty of peace with which the present war will end, of a universal league or society of nations, a supernational authority, with an international high court to try all justiciable issues between nations; an international legislature to enact such common laws as can be mutually agreed upon, and an international council of mediation to endeavor to settle without ultimate conflict even those disputes which are not justiciable. We would have all the nations of the world most solemnly undertake and promise to make common cause against any one of them that broke away from this fundamental agreement. The world has suffered too much from war for the Labor party to have any other policy than that of lasting peace.

MORE LIGHT—BUT ALSO MORE WARMTH

The Labor party is far from assuming that it possesses a key to open all locks; or that any policy which it can formulate will solve all the problems that beset us. But we deem it important to ourselves as well as to those who may, on the one hand, wish to join the party, or, on the other, to take up arms against it, to make quite clear and definite our aim and purpose. The Labor party wants that aim and purpose, as set forth in the preceding pages, with all its might. It calls for more warmth in politics, for much less apathetic acquiescence in the miseries that exist, for none of the cynicism that saps the life of leisure. On the other hand, the Labor party has no belief in any of the problems of the world being solved by good will alone. Good will without knowledge is warmth without light. Especially in all the complexities of politics, in the still undeveloped science of society, the Labor party stands for increased study, for the scientific investigation of each succeeding problem, for the deliberate organization of research, and for a much more rapid dissemination among the whole people of all the science that exists. And it is perhaps specially the Labor party that has the duty of placing this advancement of science in the forefront of its political program. What the Labor party stands for in all fields of life is, essentially, democratic coöperation; and coöperation involves a common purpose which can be agreed to; a common plan which can be explained and discussed, and such a measure of success in the adaptation of means to ends as will ensure a common satisfaction. An autocratic sultan may govern without science if his whim is law. A plutocratic party may choose to ignore science, if it is heedless whether its pretended solutions of social problems that may win political triumphs ultimately succeed or fail. But no Labor

party can hope to maintain its position unless its proposals are, in fact, the outcome of the best political science of its time; or to fulfil its purpose unless that science is continually wresting new fields from human ignorance. Hence, although the purpose of the Labor party must, by the law of its being, remain for all time unchanged, its policy and its program will, we hope, undergo a perpetual development, as knowledge grows, and as new phases of the social problem present themselves, in a continually finer adjustment of our measures to our ends.* If law is the mother of freedom, science, to the Labor party, must be the parent of law.

Meyer Bloomfield: Management and Men * (p. 207)

Summing up the labor viewpoint and situation in Great Britain I should say that the outstanding event that will make the year 1919 a landmark in these matters is the definite emergence of the Labor Party as the government's chief alternative and opposition party. It is the old labor party enlarged and definitely reconstituted.

About a year ago the party constitution was changed in order to strengthen the membership and give it greater weight in public life. One innovation was the formal recognition of the interest of "all producers by hand or brain." Unlike Bolsheviks, the Labor Party does not regard the industrial organizer, specialist and manager as anathema. He is an indispensable factor in production, unless, as in Russia, industry is to be reduced to primitive conditions of barter. It is of interest to note that lately Lenine has been pleading with his coadjutors to entice the fugitive employers and managers back by most extravagant sums of money, in order to resurrect the dead industries of his country.

The present leaders of the Labor Party are clear headed, patriotic men, with experience in building up and with a keen industrial sense. Backed by the strong Trades-Union Congress, which recently signalized its fiftieth birthday by sending a message of congratulations to the Forces, the prospects on which the majority of the labor forces base their hopes are good. It is not conceivable that the present government will disappoint these hopes.

Signs point to a far-reaching program of national reforms on which labor, government and thinking employers will unite. The keynote is: "Make Britain a good country to live in; its industries fit places to work in."

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Final Report on Joint Industrial Councils, Great Britain *

. . . We have presented four reports. In our first report on joint industrial councils (Cd. 8606) we recommend the establishment for each of the principal well-organized industries of a triple form of organization, representative of employers and employed, consisting of joint industrial councils, joint district councils, and works committees, each of the three forms of organization being linked up with the others so as to constitute an organization covering the whole of the trade, capable of considering and advising upon matters affecting the welfare of the industry, and giving to labor a definite and enlarged share in the discussion and settlement of industrial matters with which employers and employed are jointly concerned.

In our second report on joint industrial councils (Cd. 9002) we proposed for trades where organization is at present very weak or non-existent an adaptation and expansion of the system of trade boards working under an amended trades board act; and for trades in which organization is considerable, but not yet general, a system of joint councils with some Government assistance which may be dispensed with as these industries advance to the stage dealt with in our first report.

In the second report we proposed also a plan whereby the joint council of an industry, when it has agreed upon a minimum standard of working conditions for those employed in the industry, may have the means of making those conditions general in any district or over the whole country.

Taking our first and second reports together they constitute a scheme designed to cover all the chief industries of the country and to equip each of them with a representative joint body capable of dealing with matters affecting the welfare of the industry in which employers and employed are concerned and of caring for the progressive improvement of the industry as an integral part of the national prosperity.

We have considered it no less important that in each factory or workshop, where the circumstances of the industry permit, and when the conditions which we have stated are fulfilled, there should be a works committee, representative of the management and the men and women employed, meeting regularly to consider questions peculiar to the individual factory or workshop, which affect the daily life and comfort of the workers and in no small degree the efficiency

* From *Monthly Labor Review*, December, 1918, pp 31-4.

of the work, and in which practical experience will bring a valuable contribution to the improvement of methods. This question was the subject of our third report. (Cd. 9085.)

We wish to reaffirm our conviction, expressed in the first report, of the urgency of the matter. In our opinion there is pressing need that every organized industry should equip itself with a representative machinery capable of dealing with the large questions of common interest to employers and employed arising in war time, during demobilization, and in the period after the war. Further, we believe that when the joint councils have gained confidence and experience in dealing with the urgent problems of the moment they will find their sphere of usefulness to be much wider than they themselves imagined at their first inception.

Similarly, works committees, beginning perhaps with limited functions, will, we anticipate, without in any way trenching upon matters appropriate to the industrial councils, find a continual growth in the list of questions appertaining to the individual factory or workshop that can be dealt with by mutual agreement. . . .

NOTE

By attaching our signatures to the general reports we desire to render hearty support to the recommendations that industrial councils or trade boards, according to whichever are the more suitable in the circumstances, should be established for the several industries or businesses and that these bodies, representative of employees and employed, should concern themselves with the establishment of minimum conditions and the furtherance of the common interests of their trades.

But while recognizing that the more amicable relations thus established between capital and labor will afford an atmosphere generally favorable to industrial peace and progress, we desire to express our view that a complete identity of interests between capital and labor can not be thus effected, and that such machinery can not be expected to furnish a settlement for the more serious conflicts of interest involved in the working of an economic system primarily governed and directed by motives of private profit.

J. R. CLYNES.

J. A. HOBSON.

A. SUSAN LAWRENCE.

J. J. MALLON.

MONA WILSON.

*Report of the Employers Industrial Commission to
Great Britain**

TO HON. ROGER W. BABSON,
*Director, General Information and Education Service,
United States Department of Labor, Washington, D. C.:*

In conclusion, we submit the following findings:

1. Employers in Great Britain generally recognize the desirability of bargaining collectively with labor.

2. Employers nearly all agree that collective bargaining should always be undertaken between associations of employers and the regularly established well-organized trade-unions.

While many manufacturers welcome organizations of workmen in their factories (shop or works committees), they want to limit the activities of such bodies to purely local grievances, and decidedly desire that the committee members come under the discipline of their unions.

3. Most employers freely recognize the right of labor to organize; they regard organization as greatly contributing to the stability of industry. Some large manufacturers declare that they wish to see every workman within the unions, so that they must all come under organization control. Others feel that 100 per cent organization might lead to dangerous types of universal strikes and lockouts. The more conservative employers appear to make no effort to help along organizations of labor, merely dealing with such organizations when they appear on the scene.

4. Employees in Great Britain are divided in sentiment shading from those who want to maintain the trade-unions along the regularly established so-called "constitutional" lines to ultraradical socialists.

5. Employees are nearly a unit, however, in expressing opposition to the use of force. The most radical who desire "now" a complete overturning of the present social structure, usually admit on close questioning that "now" may mean many years. They want to "start" now. Practically none appear to approve of a sudden change as in Russia.

6. Employees of the ultraradical type look askance at collective bargaining and organizations of labor and capital. They freely express the view that they do not wish harmony between employees and employers, since harmony would help to continue the present system of society.

7. Employees of the more conservative type (and to your commis-

* United States Department of Labor, April 27, 1919.

sioners they appear to represent the vast majority of British workmen) are largely in accord with employers in the desire (1) to head off labor unrest at this period; (2) to strengthen the unions by holding members under control; (3) to increase production for the sake of the nation, workmen included—with no restriction on output except as it affects the health of the worker; (4) to leave control of business policies in the hands of those managing the business.

8. Government officials appear to be uniformly of the opinion that the Government should function in labor unrest only as an absolutely last unavoidable resort. On the other hand, they maintain the right of the Government to step in when necessary in order to protect public interests against minorities which try to force their terms upon the people.

9. In general the Government, and most employers and conservative employees appear to be agreed: —

That the spirit of coöperation between labor and capital is highly desirable.

That the spirit of conciliation is important for the benefit of the employer in stabilizing his business and for the benefit of the employee in preserving his regularly organized unions.

That in collective bargaining the right-minded employer will not attempt to return to the pre-war industrial era, and that the right-minded employee will not attempt to crowd his demands to the point at which the stimulus for private business enterprise would disappear.

The spirit of a genuinely better new (and not novel) era is thus being fostered by widely varied elements of Great Britain's industrial system.

R. J. CALDWELL,
DORR E. FELT,
WM. H. INGERSOLL,
ROBT. R. OTIS.

and

E. T. GUNDLACH, *Chairman*.

The personnel of the commission is as follows:

Mr. E. T. Gundlach, chairman, is connected with advertising, publishing, and industrial interests in Chicago.

Mr. R. J. Caldwell is president and owner of cotton mills in Connecticut and elsewhere.

Mr. Dorr E. Felt is a manufacturer of adding machines in Chicago; he has been and is now president of the Illinois Manufacturers' Association.

Mr. Eldon B. Keith, deceased, was a shoe manufacturer of Brookton, Mass.

Mr. William H. Ingersoll is a watch manufacturer in New York.

Mr. R. R. Otis, for the last five years president of the Real Estate Board of Atlanta, Ga., is identified with the building business in the South.

Dr. Royal Meeker, who accompanied the commission as economic adviser, is Commissioner of Labor Statistics, Washington, D. C.

Mr. B. M. Squires, the commission's statistician, is chairman of the Board of Arbitration of the United States Shipping Board, New York City.

Messrs. James R. Hawkins, George E. MacIlwain, Edgar N. Phillips, and John A. Witt accompanied the commission in fiscal and secretarial capacities.

*Ordway Tead: Criticism of the Whitley Report**

There are, I believe, several criticisms to be made of the idea as the Whitley Report states it; and as it is being initially attempted.

There is, first, no recognition of an active public interest in the deliberations of the Council. Only two of the parties are given voice—the employer and the worker. Neither the direct consumer nor the general community interest is represented. If the idea of representation of divergent interests is to be applied, it should be consistently applied; and not leave the important consumers' and the public's regulative interests ignored and without voice. If adjustment is to be reached by securing a balance of forces—by securing a temporary equilibrium of opposed interests—the likelihood of a stable and equitable adjustment is greatest when every possibly disturbing factor, every vital interest, is allowed free expression and consideration. There is the danger, as the Fabians point out, "of exploitation of the community by combinations of a trust character whose objects might include the forcing up of prices."

Second, there is not—perhaps there could not be in a body of basic laws—any explicit recognition that standards of a "fair" day's work and a "fair" day's pay are necessarily progressive and not static standards. Needless misunderstanding and ill will arise in industry through the present failure of one side or the other to see that "reasonableness," "just compensation," and "efficient workmanship" are concepts as relative as the term "nearness" when applied to the stars. Industrial constitutions will be in danger of annihilation if employers, for example, do not realize that the workers' demands are not necessarily going to stop at some fixed

* Reprinted by permission of the *New Republic*, February 8, 1919.

point. Their desire for shorter hours, higher earnings, better shop conditions, for more voice in controlling price and output, promises to assert itself for some time; and if in that situation the time arrives when to satisfy the claims of the head and hand workers there must come a shift in the proportion of the total income which goes to capital holders, it must be understood that we are facing a fluid, transitional economic era. Either the workers of the head and hand will assume fuller and fuller control of industry by the orderly means which these Councils provide; or they will get it in some other way. And I do not get the sense, in reading the Whitley document, of any adequate appreciation by its authors that the present underlying basis of relationship between employers and workers with the present private ownership of capital, and the present direction of productive energies by the holders of credit, is itself extremely unstable and on its way to changes not clearly seen by any of us.

In the third place, as the English radicals of the left have pointed out, the Council scheme definitely fails to include the purchase and allocation of raw materials as one of the matters for joint determination. As an immediate proposition, that omission is probably politic and discreet. But no one can watch the increasing rôle which transportation, coal, iron, food, cotton, wool, copper, hides and rubber—to mention only some of the most obvious commodities—play in international affairs and in industrial destinies, without getting an uncomfortable sense that to consider industrial relations without considering where the raw material is coming from, how much it costs, where it is going and what use is to be made of it, is like trying to solve an equation in which a majority of the factors are unknown. Sooner or later—and sooner rather than later if the League of Nations ventures to exert control over any economic matters—there will come from the workers an irresistible demand to be admitted to deliberations where decisions affecting raw materials are being made. And with that slight but far reaching addition to the statement of joint powers will come an accumulation of responsibility and power for the Council which will raise it to a place of determining influence in industry. When jurisdiction does extend to raw materials, we can begin to envisage a gradual and necessary coming together of Councils into what will eventually be a complete National Industrial Parliament. Under this increased coördination it will be possible to achieve a really scientific control of production in the public interest—a control for the purpose of assuring that the real demand shall be supplied, no more and no less, and that the supply shall be of honest goods, well made and sensibly distributed.

But such considerations carry us farther afield than it is yet necessary or possible to go. If I have indicated the rise and growth of a significant economic tendency and suggested how by the use of intelligent control the tendency can be made more fully amenable to human purposes, it is sufficient. The National Industrial Council stands, I believe, as a substantial milestone on the way toward a real, organic, inclusive industrial democracy. Its defects are only the defects of its virtues—virtues of immediate availability. As an educational and cohesive force in the world of economic affairs it is unquestionably the most important departure since the Rochdale weavers gave the world the coöperative movement. . . .

"SHOP COMMITTEE"

But the ambitious and inquiring shop committee will not stop there [with profits]. As soon as workers realize that they do have a voice in determining the conditions of the factory with which their livelihood is tied up, they will see new points of attack. They will want low unit costs. When that point is reached the game is up, from the point of view of autonomous shop control. Problems of research into process, introduction of new machinery with the maintenance of wages as high for machine feeders as for replaced craftsmen, training-in of new workers, the price of the raw material, the effectiveness of the sales organization, and economy in securing credit—these are a far cry from a modest proposal of departmental representation on a joint shop board which is to discuss "grievances." But these are the very matters which determine low unit costs. The day is gone when the workers or anyone else will submit to wage reductions in order to lower costs. That is a lazy and incompetent way to attempt economies. It will not be the way adopted in any plant where the shop committee is a living force.

Managers of individual plants have been slow to recognize the value of action on an industry-wide basis. In the old days, every manager's hand was against his neighbor's. But the logic of economic necessity will force his workers to look beyond the factory fence to understand why it is that wages are low, profits fluctuating, work irregular and costs high. In that effort to orient itself which a shop committee with any power must inevitably make, it will have sooner or later to see that its shop succeeds or fails not as a unit but as a part of a larger unit—which is the industry. These larger problems may to-day come to an apparently satisfactory settlement in one shop. But eventually the pressure of competition, domestic and foreign, and the demands of the workers for status, will enforce more uniform action throughout an entire industry. In that hour

not simply the desirability but the necessity of industry-wide organization on the side of both employers and workers, will be realized. And we shall see the need for an organization of workers with industry-wide affiliations no less than for the shop committee.

In short, if only we would view industry in terms of the several functions to be performed, there would arise less opposition both from employers and from unions to organized provision for the performance of those functions. We see two functions in question here. There is need of the shop committee to open up channels of direct, personal communication between managers and managed. A personal human contact must be reestablished. A vivid sense of participation in a common and socially valuable enterprise must be realized if the shop is to have an atmosphere of good will and workmanship—and without this atmosphere maximum efficiency is not obtainable. Likewise, there is valuable training in joint action and in decentralized responsibility. Committee action, especially where different interests are represented, is inevitably educational. The shop committee can thus be the cradle of industrial democracy as the town meeting was of political democracy.

But genuine industrial democracy will never get beyond cradle dimensions until the important issues are determined on a wider and wider scale, until finally on matters like hours, price of raw materials, and protective legislation, decisions are reached in the economic bodies of the League of Nations and accepted by the world. This is the second function—this determination of the basic terms of industrial life. And only temporarily can the shop committee assume it.

Employers, especially those who are fearful of union encroachments and attempts of "agitators to run my business," must understand, then, that in their plans of employees' representation they are not merely creating an organ of orderly adjustment and amicable cooperation. They are giving play to impulses of self-direction, leadership and assertiveness in their workers, which will not stop at some point which the employer has arbitrarily set in his own mind. They are creating machinery in the operation of which the workers will inevitably come to see how closely their destinies are linked up with problems of tariffs, sources of raw material, unit costs of production and all the other elements. They are showing the workers that if an equality of bargaining power does not exist within one plant much can be done to remedy the inequality by affiliation with workers in other plants in the same industry.

Constitutionalism in industry is about to involve precisely what it has involved in political affairs—a hierarchy of representative bodies, each concerned with the problems which the size and char-

acter of its administrative unit requires. In this scheme of things the shop committee will necessarily have a significant place,—a place at the base of the pyramid which culminates in joint national industrial councils and in international labor commissions. It cannot permanently be an instrument to thwart labor organization or to entrench the employer more fully in ultimate authority. The shop committee can and should, on the contrary, perform one inestimably valuable and immediate function. It should contribute to the building up of a spirit of mutual understanding and personal confidences strong enough to make the transition to bargaining with labor unions a normal and a natural transition in which all values are retained and others added.

THE POWER AND POLICY OF ORGANIZED LABOR

DIRECT ACTION

*Bertrand Russell: Democracy and Direct Action**

THE battle for political democracy has been won: white men everywhere are to live under the régime of parliamentary government. Russia, which for the present is trying a new form of constitution, will probably be led by internal or external pressure to adopt the system favored by the Western Powers.

But even before this contest was decided a new one was seen to be beginning. The form of government in the United States, Britain, and France is a capitalistic or plutocratic democracy. The democracy which exists in the political sphere finds no counterpart in the economic world. The struggle for economic democracy seems likely to dominate politics for many years to come. The Russian government, which cares nothing for the forms of political democracy, stands for a very extreme form of economic democracy, a strong and apparently growing party in Germany has similar aims. Of opinion in France I know nothing, but in this country the workers who desire to obtain control of industries subject to state ownership, though not sufficiently strong numerically to have much influence on the personnel of Parliament, are nevertheless able through organization in key industries to exert a powerful pressure on the government and to cause fear of industrial upheavals to become widespread throughout the middle and upper classes. We have thus the spectacle of opposition between a new, democratically-elected Parliament and the sections of the nation which consider themselves the most democratic. In such circumstances many friends of democracy become bewildered and grow perplexed as to the aims they ought to pursue or the party with which they ought to sympathize.

The time was when the idea of parliamentary government inspired enthusiasm, but that time is past. Already before the war legislation had come to be more and more determined by contests between interests outside the legislature, bringing pressure to bear directly upon the government. This tendency has been much accelerated. The view which prevails in the ranks of organized labor—and not only there—is that Parliament exists merely to give effect to the decision of the government, while those decisions

* Reprinted by permission of *The Dial*, May 3, 1919.

themselves, so far from representing any settled policy, embody nothing but the momentary balance of forces and the compromise most likely to secure temporary peace. The weapon of labor in these contests is no longer the vote, but the threat of a strike—"direct action." It was the leaders of the *Confédération Générale du Travail* during the twenty years preceding the war who first developed this theory of the best tactics for labor. But it is experience rather than theory that has led to its widespread adoption—the experience largely of the untrustworthiness of parliamentary Socialist leaders and of the reactionary social forces to which they are exposed.

To the traditional doctrine of democracy there is something repugnant in this whole method. Put crudely and nakedly, the position is this: the organized workers in a key industry can inflict so much hardship upon the community by a strike that the community is willing to yield to their demands things which it would never yield except under the threat of force. This may be represented as the substitution of the private force of a minority in place of law as embodying the will of the majority. On this basis a very formidable indictment of direct action can be built up.

There is no denying that direct action involves grave dangers, and if abused may theoretically lead to very bad results. In this country when (in 1917) organized labor wished to send delegates to Stockholm, the Seamen's and Firemen's Union prevented them from doing so, with the enthusiastic approval of the capitalist press. Such interference of minorities with the freedom of action of majorities is possible; it is also possible for majorities to interfere with the legitimate freedom of minorities. Like all use of force, whether inside or outside the law, direct action makes tyranny possible. And if one were anxious to draw a gloomy picture of terrors ahead, one might prophesy that certain well-organized, vital industries—say, the Triple Alliance of Miners, Railwaymen, and Transport Workers—would learn to combine, not only against the employers, but against the community as a whole. We shall be told that this will happen unless a firm stand is made now. We shall be told that if it does happen, the indignant public will have, sooner or later, to devote itself to the organization of blacklegs, in spite of the danger of civil disturbance and industrial chaos that such a course would involve. No doubt such dangers would be real if it could be assumed that organized labor is wholly destitute of common sense and public spirit. But such an assumption could never be made except to flatter the fears of property owners. Let us leave nightmares on one side and come to the consideration of the good and harm that are actually likely to result in practice from

the increasing resort to direct action as a means of influencing government.

Many people speak and write as though the beginning and end of democracy were the rule of the majority. This, for example, is the view of Professor Hearnshaw in his recent book on "Democracy at the Cross-Ways." But this is far too mechanical a view. It leaves out of account two questions of great importance, namely: (1) What should be the group of which the majority is to prevail? (2) What are the matters with which the majority has a right to interfere? Right answers to these questions are essential if nominal democracy is not to develop into a new and more stable form of tyranny, for minorities and subordinate groups have the right to live, and must not be internally subject to the malice of hostile masses.

The first question is familiar in one form, namely, that of nationality. It is recognized as contrary to the theory of democracy to combine into one state a big nation and a small one, when the small nation desires to be independent. To allow votes to the citizens of the small nation is no remedy, since they can always be outvoted by the citizens of the large nation. The popularly elected legislature, if it is to be genuinely democratic, must represent one nation; or, if more are to be represented, it must be by a federal arrangement which safeguards the smaller units. A legislature should exist for defined purposes, and should cover a larger or smaller area, according to the nature of those purposes. At this moment, when an attempt is being made to create a League of Nations for certain objects, this point does not need emphasizing.

But it is not only geographical units, such as nations, that have a right, according to the true theory of democracy, to autonomy for certain purposes. Just the same principle applies to any group which has important internal concerns that affect the members of the group enormously more than they affect outsiders. The coal trade, for example, might legitimately say: "What concerns the community is the quantity and price of coal that we supply. But our conditions and hours of work, the technical methods of our production, and the share of the produce that we choose to allow to the landowners and capitalists who at present own and manage the collieries, all these are internal concerns of the coal trade, in which the general public has no right to interfere. For these purposes we demand an internal parliament, in which those who are interested as owners and capitalists may have one vote each, but no more." If such a demand were put forward it would be as impossible to resist on democratic grounds as the demand for autonomy on the part of a small nation. Yet it is perfectly clear that the coal trade could not induce the community to agree to such a proposal, especially

where it infringes the "rights of property," unless it were sufficiently well organized to be able to do grave injury to the community in the event of its proposals being rejected—just as no small nation except Norway, so far as my memory serves me, has ever obtained independence from a large one to which it was subject, except by war or the threat of war.

The fact is that democracies, as soon as they are well established, are just as jealous of power as other forms of government. It is therefore necessary, if subordinate groups are to obtain their rights, that they shall have some means of bringing pressure to bear upon the government. The Benthamite theory, upon which democracy is still defended by some doctrinaires, was that each voter would look after his own interest, and in the resultant each man's interest would receive its proportionate share of attention. But human nature is neither so rational nor so self-centered as Bentham imagined. In practice it is easier, by arousing hatred and jealousies, to induce men to vote against the interests of others than to persuade them to vote for their own interests. In the recent General Election in this country very few electors remembered their own interests at all. They voted for the man who showed the loudest zeal for hanging the Kaiser, not because they imagined they would be richer if he were hanged but as an expression of disinterested hatred. This is one of the reasons why autonomy is important: in order that, as far as possible, no group shall have its internal concerns determined for it by those who hate it. And this result is not secured by the mere *form* of democracy; it can only be secured by careful devolution of special powers to special groups, so as to secure, as far as possible, that legislation shall be inspired by the self-interest of those concerned, not by the hostility of those not concerned.

This brings us to the second of the two questions mentioned above—a question which is, in fact, closely bound up with the first. Our second question was: What are the matters with which the democracy has a right to interfere? It is now generally recognized that religion, for example, is a question with which no government should interfere. If a Mahometan comes to live in England, we do not think it right to force him to profess Christianity. This is a comparatively recent change; three centuries ago, no state recognized the right of the individual to choose his own religion. (Some other personal rights have been longer recognized; a man may choose his own wife, though in Christian countries, he must not choose more than one.) When it ceased to be illegal to hold that the earth goes round the sun, it was not made illegal to believe that the sun goes round the earth. In such matters it has been found, with intense surprise, that personal liberty does not entail anarchy. Even

the sternest supporters of the rule of the majority would not hold that the Archbishop of Canterbury ought to turn Buddhist if Parliament ordered him to do so. And Parliament does not, as a rule, issue orders of this kind, largely because it is known that the resistance would be formidable and that it would have support in public opinion.

In theory, the formula as to legitimate interferences is simple. A democracy has a right to interfere with those of the affairs of a group which intimately concern people outside the group, but not with those which have comparatively slight effects outside the group. In practice, this formula may sometimes be difficult to apply, but often its application is clear. If, for example, the Welsh wish to have their elementary education conducted in Welsh, that is a matter which concerns them so much more intimately than any one else that there can be no good reason why the rest of the United Kingdom should interfere. Thus the theory of democracy demands a good deal more than the mere mechanical supremacy of the majority. It demands: (1) division of the community into more or less autonomous groups; (2) delimitation of the powers of the autonomous groups by determining which of their concerns are so much more important to themselves than to others that others had better have no say in them. Direct action may, in most cases, be judged by these tests. In an ideal democracy industries or groups of industries would be self-governing as regards almost everything except the price and quantity of their product, and their self-government would be democratic. Measures which they would then be able to adopt autonomously they are now justified in extorting from the government by direct action. At present the extreme limit of imaginable official concession is a conference in which the men and the employers are represented equally, but this is very far from democracy, since the men are much more numerous than the employers. *This* application of majority-rule is abhorrent to those who invoke majority-rule against direct actionists; yet it is absolutely in accordance with the principles of democracy. It must at best be a long and difficult process to procure formal self-government for industries. Meanwhile they have the same right that belongs to oppressed national groups, the right of securing the substance of autonomy by making it difficult and painful to go against their wishes in matters primarily concerning themselves. So long as they confine themselves to such matters, their action is justified by the strictest principles of theoretical democracy, and those who decry it have been led by prejudice to mistake the empty form of democracy for its substance.

Certain practical limitations, however, are important to remem-

ber. In the first place, it is unwise for a section to set out to extort concessions from the government by force, if in *the long run* public opinion will be on the side of the government. For a government backed by public opinion will be able, in a prolonged struggle, to defeat any subordinate section. In the second place, it is important to render every struggle of this kind, when it does occur, a means of educating the public opinion by making facts known which would otherwise remain more or less hidden. In a large community most people know very little about the affairs of other groups than their own. The only way in which a group can get its concerns widely known is by affording "copy" for the newspapers, and by showing itself sufficiently strong and determined to command respect. When these conditions are fulfilled, even if it is force that is brought to bear upon the *government*, it is persuasion that is brought to bear upon the *community*. And in the long run no victory is secure unless it rests upon persuasion, and employs force at most as a means to persuasion.

The mention of the press and its effect on public opinion suggests a direction in which direct action has sometimes been advocated, namely, to counteract the capitalist bias of almost all great newspapers. One can imagine compositors refusing to set up some statement about trade-union action which they know to be directly contrary to the truth. Or they might insist on setting up side by side a statement of the case from the trade-union standpoint. Such a weapon, if it were used sparingly and judiciously, might do much to counteract the influence of the newspapers in misleading public opinion. So long as the capitalist system persists, most newspapers are bound to be capitalist ventures and to present "facts" in the main, in the way that suits capitalistic interests. A strong case can be made out for the use of direct action to counteract this tendency. But it is obvious that very grave dangers would attend such a practice if it became common. A censorship of the press by trade unionists would, in the long run, be just as harmful as any other censorship. It is improbable, however, that the method could be carried to such extremes, since if it were, a special set of blackleg compositors would be trained up, and no others would gain admission to the offices of capitalist newspapers. In this case, as in others, the dangers supposed to belong to the method of direct action are largely illusory, owing to the natural limitations of its effectiveness.

Direct action may be employed: (1) for amelioration of trade conditions within the present economic system; (2) for economic reconstruction, including the partial or complete abolition of the capitalist system; (3) for political ends, such as altering the form of government, extension of the suffrage, or amnesty for political

prisoners. Of these three no one nowadays would deny the legitimacy of the first, except in exceptional circumstances. The third, except for purposes of establishing democracy where it does not yet exist, seems a dubious expedient if democracy, in spite of its faults, is recognized as the best practicable form of government; but in certain cases, for example, where there has been infringement of some important right, such as free speech, it may be justifiable. The second of the above uses of the strike, for the fundamental change of the economic system, has been made familiar by the French Syndicalists. It seems fairly certain that, for a considerable time to come, the main struggle in Europe will be between capitalism and some form of Socialism, and it is highly probable that in this struggle the strike will play a great part. To introduce democracy into industry by any other method would be very difficult. And the principle of group autonomy justifies this method so long as the rest of the community opposes self-government for industries which desire it. Direct action has its dangers, but so has every vigorous form of activity. And in our recent realization of the importance of law we must not forget that the greatest of all dangers to a civilization is to become stereotyped and stagnant. From this danger, at least, industrial unrest is likely to save us.

*J. G. Brooks: American Syndicalism and the I.W.W.**
(pp. 135-7)

When a leader like Tom Mann in England warns his followers against making any agreement except of the most temporary nature with the managers of capital; when he tells them that every provision for peace between the two parties is a perpetrated wrong on labor, we see the whole relation set squarely on a war footing, and its chosen weapons are those of war. Old-fashioned strikes are to go on, but with a new purpose. They are to be quick and sharp in order to save ammunition. The men, even when striking, are "to keep at work but spoil the product." They are "suddenly to return to their jobs before strikebreakers appear, but to drop work again until the boss is tired out." The short strike is not only to pester the employers; it is, like army drill, to become the school of practice in preparation for the coming general or universal strike. French syndicalists actually use the word *grèviculture* (strike culture) as if strikes could be nursed and grown like plants in a garden.

Behind all this is the assumption that the business man representing capitalism can be worried into submission by losses in the

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shop and mill. This again takes for granted two things: first, the decrepitude of our business system, and, secondly, the ability and preparedness of labor (as defined by Syndicalists) to take over and administer capitalist production. The saner among them do not claim that this can be done "at once," but only as capitalist management is worn out by the unremitting plague which labor can inflict on capital by refusing any longer to play the capitalist game. "From now on," says Tom Mann, "we know the enemy and how to deal with him." . . .

As this volume goes to press, an Article on Direct Action appears in *The Independent*, January 9th, by a writer for the French *La Bataille Syndicaliste*. It has the more value as it was "passed upon" by Haywood, Bohn and Ettor—the two former associate editors on the *International Socialist Review*. The writer, Mr. Andre Tridon, shows at once how difficult it is to distinguish direct action from sabotage. Both alike are schools of solemn and vigorous instruction for the destruction of capitalism. Syndicalists, he assures us, "do not recognize the employer's right to live any more than a physician recognizes the right of typhoid bacilli to thrive at the expense of a patient, the patient merely keeping alive." He shows the importance of studying market conditions so that the blow may fall when the employer is "rushed with orders." Two Syndicalist veterans, Pouget and Faure, have recently dealt with "technical instruction as revolution's handmaid" which Mr. Tridon offers us for up-to-date suggestiveness.

"The electrical industry is one of the most important industries, as an interruption in the current means a lack of light and power in factories; it also means a reduction in the means of transportation and a stoppage of the telephone and telegraph systems.

"How can the power be cut off? By curtailing in the mine the output of the coal necessary for feeding the machinery or dropping the coal cars on their way to the electrical plants. If the fuel reaches its destination, what is simpler than to set the pockets on fire and have the coal burn in the yards instead of the furnaces? It is child's play to put out of work the elevators and other automatic devices which carry coal to the fireroom.

"To put boilers out of order use explosives or silicates or a plain glass bottle which, thrown on the glowing coals, hinders the combustion and clogs up the smoke exhausts. You can also use acids to corrode boiler tubes; acid fumes will ruin cylinders and piston rods. A small quantity of some corrosive substance, a handful of emery, will be the end of oil cups. When it comes to dynamos or transformers, short circuits and inversions of poles can be easily

managed. Underground cables can be destroyed by fire, water, plyers, or explosives, etc., etc."

Here we see the "saving power of the revolution" transferred from the field of politics and reform to the nerve centers of production. Here the "system" is to be paralyzed by the daring of "small, energetic minorities" through direct action. Never a satisfying word is given us as to what these daring minorities are to do with the majorities after the system is smitten. How are the beaten majorities to be convinced and managed? In the familiar patois of the Anarchist, we are reminded that "minorities are always in the right." This is not Frederick Douglass, "One with God is a majority," but "A minority with God is a majority."

Final Report of Federal Commission on Industrial Relations, 1915 (p. 89)

The fundamental question for the Nation to decide, for in the end public opinion will control here as elsewhere, is whether the workers shall have an effective means of adjusting their grievances, improving their condition, and securing their liberty, through negotiation with their employers, or whether they shall be driven by necessity and oppression to the extreme of revolt. Where men are well organized, and the power of employers and employes is fairly well balanced, agreements are nearly always reached by negotiation; but, even if this fails, the strikes or lockouts which follow are as a rule merely cessations of work until economic necessity forces the parties together again to adopt some form of compromise. With the unorganized, there is no hope of achieving anything except by spontaneous revolt. Too often has it been found that during the delay of attempted negotiations, the leaders are discharged, and new men are found ready to take the place of those who protest against conditions. Without strike funds or other financial support, the unorganized must achieve results at once; they cannot afford to wait for reason and compromise to come into play. Lacking strong leaders and definite organization, such revolts can only be expected to change to mob action on the slightest provocation.

Looking back over the industrial history of the last quarter century, the industrial disputes which have attracted the attention of the country, and which have been accompanied by bloodshed and violence have been revolutions against industrial oppression, and not mere strikes for the improvement of working conditions. Such revolutions in fact were the railway strikes of the late eighties, the Homestead strike, the bituminous coal strike of 1897, the anthracite strikes of 1900 and 1903, the strike at McKees Rocks in 1909, the

Bethlehem strike of 1910, the strikes in the textile mills at Lawrence, Paterson and Little Falls, many of the strikes in the mining camps of Idaho and Colorado, the garment workers' strikes in New York and other cities, the recent strikes in the mining districts of West Virginia, Westmoreland Co., Pa., and Calumet, Mich.

As a result, therefore, not only of fundamental considerations but of practical investigations, the results of which are described in detail hereinafter, it would appear that every means should be used to extend and strengthen organizations throughout the entire industrial field.

Paul U. Kellogg and Arthur Gleason: British Labor and the War * (pp. 168, 172-7)

Out of 1,095,000 British coal miners, 800,000 are organized in the Miners' Federation of Great Britain, of which Robert Smillie is head. In 1915 he became chairman, also, of the new Triple Alliance, composed of the Miners, the National Transport Workers' Federation, and the National Union of Railwaymen. The Triple Alliance with its million and a half men, is the strongest offensive amalgamation that has ever been made in the trade union world. Controlling fuel and the machinery of transport, it can hold up the economic life of Great Britain. Of the miners alone, and their head, Clynes once said that they unmake cabinets, and another trade unionist felt their power so keenly that he reminded them that they were not God Almighty. . . .

THE TRIPLE ALLIANCE

To turn to the other members of the Triple Alliance. The railway service is well organized. The National Union of Railwaymen has 401,000 members. Its secretary is J. H. Thomas, M.P. He is one of the half-dozen strongest labor leaders in Great Britain. He has canny common sense, limpid sincerity, and a powerful voice out of a small body to make known his views.

The other considerable unions in the railway service are the Associated Society of Locomotive Engineers and Firemen (38,000), and the Railway Clerks' Association (60,000). Altogether there are 610,000 railway employees. . . .

Under the occupational group of transport come the National Sailors and Firemen's Union (70,000), National Union of Ships' Stewards, Cooks, Butchers and Bakers (20,000); the Waterside

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workers with their National Union of Dock Laborers (50,000), Dock, Wharf, Riverside and General Workers' Union (65,000); the vehicle workers with their vehicle, tramway, motormen, lorrymen, and carters associations. The National Transport Workers' Federation has over 300,000 members.

The Triple Alliance grew naturally out of a need. A coal strike hits railwaymen. A railway strike hits miners and dockers. A dock strike ties up coal brought by railways to the waterfront. Strikes in 1911 and 1912 on railways, docks and mines had partly failed, so the executives of the Miners, the National Union of Railwaymen and the National Transport Workers' Federation held conferences in 1914, and a scheme of joint action was ratified on December 9, 1915, for "matters of a national character."

When a delegation from the Triple Alliance visited the Premier, the London *Times* said:

The delegates are waiting on the Prime Minister to issue their orders. This body of trade unionists is formally attempting to supersede constitutional government and to frighten the appointed Ministers of the Crown into doing their will.

There is no question that Robert Smillie, Vernon Hartshorn, J. H. Thomas, Robert Williams, and the other members of the three executive committees of the Triple Alliance see the vast implications of their coalition. Such power has passed into their hands as no human beings outside a war cabinet have exercised in modern days. They will mould the British labor movement of the future, and the structure of the state may be modified by their action. . . .

To sum up:—Nearly half of the male adult wage-earning population is organized into trade unions. Unskilled or general workers have come inside trade union organization during the last four years at an unprecedented rate. Thus the National Union of General Workers increased its membership by over 100,000 in 1917. The old threat of unorganized, casual, unskilled, overworked, underpaid workers destroying the structure of trade unionism has disappeared. Their incorporation, however, is effecting profound changes in that structure. In spite of many craft unions, great groups have formed, and the unions have learned their power in the state.

They compose a Trades Union Congress, with a membership of over four million. Their political expression is the British Labor Party, with a trade union membership of 2,415,383. Seven hundred and fifty thousand workers are organized in the General Federation of Trade Unions for strike insurance benefits and other purposes. Three great groups have formed the Triple Industrial Alliance.

These organizations represent the long struggle of the workers for recognition. They have won power, and they begin to wield it. The coming years will witness their use of it in achieving self-government in industry and in reconstructing the economic order.

We have tried to give a fair and unbiased interpretation of the facts such as we have found them, not an expression of our own views on economic or political theory. Much of the discussion of the rise of labor, both in Great Britain and in the United States, is unintelligent because it assumes that we still have to deal with Socialism as embodied in academic programs or with debatable questions of labor organization. Some people may be startled when they realize the degree of power and of class-conscious organization already reached by British labor in the economic field. But it is only by such realization that statesmen, industrial managers and labor leaders alike will be able to deal with the forces at work in the economic order intelligently and constructively. A mere opposition is as useless as drifting, and will have no other effect than that of aggravating the clash of interests and philosophies which is bound to come to a decision before long.

2. TRADE UNIONS

Robert F. Howie: Trade Unionism in the United States * (pp. 130-4, 274).

The American Federation of Labor has both succeeded and failed. The causes of its success may be explained largely by its supremely adaptable and catholic character, made possible by its non-theoretical, opportunistic, trial method and ideals, and its loose organization. It is thus sufficiently broad and elastic to have a place within itself for every form and type of organization—structurally and functionally—that has arisen and proved itself effective in the history of American unionism. It has found a place and function within itself for the trade union, the trades union (city, central and state federation), the labor union, the industrial union, and the various transitional forms; for business unionism, uplift unionism, radical or revolutionary unionism and predatory unionism; it is loosely enough organized to allow of every variation of centralization and discipline which the particular needs and conditions warrant. For example, there is centralization and strong discipline of national unions where conditions demand them and decentralization and weak discipline of federal forms where needs and jealousies exist. It is theoretically and organically elastic enough to allow scope to the principle of change and growth, and thus to the adoption and creation of new forms and the assumption of new functions as developing conditions demand them, such as system federations, departments, and its political program. It thus reflects in a remarkable way the changing conditions, needs, problems, and methods of the workers within the field of its operation. Within this field it reflects pretty accurately—subject of course to the law of retardation—the character of capitalistic organization, that is, the degree of craft-wise and industrial-wise business organization and the idealism and materialism, the radicalism and conservatism, the mutuality and selfishness, of the workers. In short, it pretty accurately reflects within the field of its operation the degree of unity, and of community of spirit, the extent of common problems, ideals and con-

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ditions of the workers. It has always made everything else secondary to the supreme need of the workers in terms of immediate results, or, as Mr. Gompers says, "more, more, more, now," in the form of higher wages, shorter hours, better working conditions here and now. In other words, its prime aim is to "deliver the goods." And finally, it has had extraordinary fortune in the continuity and character of its leadership. Mr. Gompers has been at the helm since 1886, except for one year, 1894; it has had, therefore, a continuous policy and has been delivered from the struggle for leadership. In short, the American Federation of Labor is an organization structurally and functionally of such a character that, while guaranteeing to each craft autonomy in trade affairs, it can unite them on economic grounds, smooth out their differences, and gradually *educate* them to closer relationship.

But *has* the American Federation of Labor succeeded? (1) Though it claims to represent the working class and aims at universal organization, yet in more than thirty years it has succeeded in organizing less than ten per cent of the workers. (2) It lacks the adherence of some of the strongest and most successful unions, such as the Railway Brotherhoods. (3) It has found itself unable to make headway or maintain its position in great trust-controlled industries. (4) It has proved unequal to its adversary in its struggle against strong employers' associations. (5) It has failed generally to organize and help the unskilled workers. (6) It has not been able to prevent altogether predatory combinations between employers and unions to the detriment of other organized workers. (7) It has failed thus far to solve the problem of jurisdictional disputes involving alike destruction of the welfare of the workers, the employers, and the public. (8) It has failed to secure unanimity and general support of its broad welfare policies, for example, the use of union labeled goods. (9) It seems impotent against scientific management and advanced management with its progressive specialization and destruction of the very essence of the craft foundation of unionism.

After having considered the general character of the American Federation of Labor and reviewed its successes and failures, can we say that it presents the key to the solution of the union problem? Does it furnish a means of getting the benefits of unionism for the workers most in need of them, and of solving the problems of efficiency, unhampered industrial development, universal opportunity to the workers, social order and industrial peace? In so far as it has failed in this connection, what are the prime causes of its failure? There appear to be two which stand out clearly: First, under the present system of capitalistic enterprise based upon machine

industry, no common standard of right, rights, and justice exist which can be appealed to for securing working class betterment. Therefore, the general betterment of the workers' condition through unionism requires a general organization of the workers superior in power to the employers. Second, no working class power superior to the employers can be developed in pursuit of the ideal of immediate results, secured by bargaining, because under the capitalistic system immediate betterment can be secured by the workers through bargaining, only by control and manipulation of the labor supply. This means that the pursuit of the ideal must immediately develop the selfish and monopolistic group feeling. This effectually bars out the attainment of working class solidarity and power, for it causes the stronger unions to hold aloof, pits the organized against the unorganized, and causes a constant desertion of the brains of the movement to the employers. In short, if the failure of the American Federation of Labor could be simmered down to a single phrase, it would be "lack of tactical idealism." It is another question whether this idealism—the unselfish class spirit—can be developed under present conditions where the mass of the workers are barred out from taking a broad and long-timed view of life's affairs by the cold fact that, as things are, their immediate conditions of life do depend upon the labor supply and they can have absolutely no guarantee of the future. . . .

Agreement on general principles of right and justice is not the sticking point. Collective bargaining is rather a compromise. But we know that there are no standards which both sides recognize, and therefore the compromise is an unstable affair. Neither side is really satisfied. It is an inconclusive peace. Accordingly, the obligation of the contract tends to be taken lightly by both sides. This is one of the great weaknesses of collective bargaining, even as a settlement of group difficulties.

Collective bargaining and arbitration, however, are steps toward full labor control. They are an entering wedge toward industrial democracy and abolition of the profits system. Recognition of the union is the first step, since individual bargaining gives the workers no voice. This, then, is the important thing—not the lack of a principle of justice. Collective bargaining is not an instrument of peace primarily. It is a step in the process of control. Indeed, the significant thing about unionism is the development of a process of control. This is the larger aspect of unionism and in this sense collective bargaining is a solution of the labor problem.

Monthly Labor Review, U. S. Bureau of Labor. Strikes and Lockouts, 1916-18

The large increase in number of strikes during the month of May in each year is accounted for by the fact that the trade agreements in many industries terminated on the 30th day of April and the unions very generally asked for an increase in wages in making the new agreement with their employers. Reports for the closing months of the year 1918 are incomplete, since reports, aside from those obtained from the daily and weekly papers and periodicals, frequently do not reach the bureau until several months after the strike has ended. Corrected figures for these months will therefore undoubtedly show a considerable increase over those here given, probably totaling at least 3,400 when such figures are received.

The disturbances for the year do not seem to have been confined to any district or industry. One-seventh of the strikes occurred in New York City and vicinity. It is difficult to particularize the more important strikes of the two-year period, 1917 and 1918. Many of them were short and involved large numbers of employes. In both years strikes of miners, shipbuilders, longshoremen, machinists, and workers connected with the erection of cantonments throughout the country attracted general attention. In 1917 probably the largest disturbances were those that occurred in the oil fields of Louisiana and Texas; in the telephone systems in Arkansas and the Pacific northwest; in the packing houses in St. Louis and Omaha; among the sugar-cane workers in Porto Rico; in the sugar refineries in New York and Philadelphia; among the potters in Ohio and New Jersey; in the silk mills in Hoboken and vicinity; in the iron and steel industry in Pittsburgh; among the cigar makers in Porto Rico and New York City; hatters in Danbury, Conn.; shoemakers in New York City; in the various clothing industries in New York City, Philadelphia, and Chicago; in the northwest lumber industry; and the general strike in Minneapolis and St. Paul. In 1918 probably the largest disturbances were those that occurred among the tailors of New York City; in the textile industry in New Hampshire, Rhode Island, and Philadelphia; among the garment workers in Chicago and the tailors in New York City; the paper mills in northern New York; the cigar makers of New York City and St. Louis; the trolley systems of Buffalo, Kansas City, and St. Louis; the molders and teamsters of Chicago; the retail clerks of St. Louis; the pressmen and waiters and subway laborers in New York City; the General Electric strike; and the general strike in Kansas City.

The largest number of disputes occurred in the leading manu-

facturing States—New York, Massachusetts, Pennsylvania, Ohio, and Illinois, over one-half of the strikes being in these States. . .

In 1918 the employes were connected with unions in 1,811 strikes and 73 lockouts; they were not connected with unions in 356 strikes and 4 lockouts; in 26 strikes they were not so connected at the time of striking, but organized almost immediately thereafter; in 988 strikes and 27 lockouts the relation of employes to unions was not reported. In 1917 the corresponding figures were 2,277 strikes and 95 lockouts, 201 strikes and 3 lockouts, 55 strikes, and 1,700 strikes and 28 lockouts. In 1916 the figures were 2,361 strikes and 94 lockouts, 441 strikes and 5 lockouts, 70 strikes and 1 lockout, and 806 strikes and 8 lockouts.

The causes of strikes and lockouts were numerous. Aside from wages few strikes occurred in which the cause was confined to one matter in dispute. The principal causes are shown in the table following:

PRINCIPAL CAUSES OF STRIKES AND LOCKOUTS, 1916, 1917 AND 1918.

Matter of dispute.	Strikes			Lockouts.		
	1916	1917	1918	1916	1917	1918
Increase of wages	1,290	1,507	1,352	11	17	14
Decrease of wages	33	34	34	2	2	2
Nonpayment of wages	13	17	31	..	1	..
Increase of hours	3	18	6	4	..	..
Decrease of hours	111	122	79	2	5	..
Increase of wages and decrease of hours	479	372	248	2	4	2
General conditions	59	95	54	..	4	2
Conditions and wages	56	70	50	2	1	2
Conditions and hours	3	17	2	..	1	..
Conditions, wages, and hours	25	26	8	..	..	..
Conditions and recognition . . . . .	..	13	7	..	..	..
Recognition of the union	344	275	186	22	39	35
Recognition and wages	122	148	95	2	5	2
Recognition and hours	22	27	16	1	1	..
Recognition, wages, and hours	68	56	66	5	..	..
Discharge of foreman demanded	17	37	53	..	1	..
Discharge of employees	122	203	137	5	3	..
Employment of non-union men	70	76	61	4	1	..
In regard to the agreement	38	75	41	2	3	..
New agreement	37	22	4	3	2	..
Sympathy	32	68	34	1	1	1
Jurisdiction	19	20	16	..	..	..
Miscellaneous	117	173	170	7	5	9
Not reported	598	762	431	33	30	35
Total	3,678	4,233	3,181	108	126	104

The number of persons involved in strikes and lockouts is shown in the table following:

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NUMBER OF STRIKES AND LOCKOUTS, BY CLASSIFIED NUMBER OF PERSONS INVOLVED, 1916, 1917 AND 1918

Number of persons involved.	Strikes.			Lockouts			Number of persons involved.	Strikes			Lockouts		
	1916	1917	1918	1916	1917	1918		1916	1917	1918	1916	1917	1918
1 to 10.	197	151	135	13	7	9	501 to 1,000	238	191	139	3	1	2
11 to 25.	345	268	256	10	8	10	1,001 to 10,000	233	217	200	5	4	4
26 to 50.	411	318	318	15	9	9	Over 10,000	22	67	16	1	1	1
51 to 100.	411	343	337	7	3	13	Not reported	1,078	2,059	1,154	44	80	34
101 to 250	395	338	354	4	10	13	Total	3,678	4,233	3,181	108	126	104
251 to 500	348	281	272	6	3	9							

RESULTS OF STRIKES AND LOCKOUTS, 1916, 1917, AND 1918

Result.	Strikes			Lockouts		
	1916	1917	1918	1916	1917	1918
In favor of employers	724	366	417	21	13	5
In favor of employees	733	581	591	16	17	15
Compromised	766	679	659	11	21	17
Employees returned pending arbitration	70	131	198	3	6	5
Not reported	99	142	212	2	1	21
Total	2,392	1,899	2,077	53	58	63

DURATION OF STRIKES AND LOCKOUTS, 1916, 1917, AND 1918.

Duration	Strikes			Lockouts			Duration	Strikes.			Lockouts %		
	1916	1917	1918	1916	1917	1918		1916	1917	1918	1916	1917	1918
Less than 1 day	38	88	84	.	.	.	19 to 21 days	82	42	64	1	2	2
1 day	141	190	140	..	2	2	22 to 24 days	38	21	36	1	1	1
2 days	183	107	104	2	2	3	25 to 28 days	60	31	33	1	3	2
3 days	146	89	119	1	3	1	29 to 31 days	53	28	55	.	.	2
4 days	124	57	108	1	1	1	32 to 35 days	25	26	27	.	.	.
5 days	129	45	66	1	1	1	36 to 42 days	48	33	37	2	1	1
6 days	109	61	63	3	.	.	43 to 49 days	22	25	29	2	3	1
7 days	91	86	112	2	2	2	50 to 63 days	53	35	39	.	.	7
8 days	85	25	55	1	.	3	64 to 77 days	39	19	16	1	3	.
9 days	48	25	37	2	2	.	78 to 91 days	26	11	15	1	1	.
10 days	106	39	54	2	1	.	92 to 199 days	87	49	28	12	4	2
11 days	40	23	23	1	.	.	Over 200 days	17	9	21	6	.	.
12 days	42	37	24	.	.	1	Not reported	332	580	479	.	24	28
13 days	26	12	16	1	.	.	Total	2,392	1,899	2,077	53	58	63
14 days	60	37	47	3	1	2							
15 to 18 days	142	69	84	6	1	4							

*Labor Clauses Adopted by the Peace Conference,**
April 28, 1919

The following clauses proposed by the Commission on International Labor Legislation and in revised form as presented by Sir Robert Borden for insertion in the Treaty of Peace were adopted by the Peace Conference in Plenary Session yesterday:

"The High Contracting Parties, recognizing that the well-being, physical, moral, and intellectual, of industrial wage earners is of supreme international importance, have framed a permanent machinery associated with that of the League of Nations to further this great end. They recognize that difference of climate, habits, and customs of economic opportunity and industrial tradition make strict uniformity in the conditions of labor difficult of immediate attainment. But, holding as they do, that labor should not be regarded merely as an article of commerce, they think that there are methods and principles for the ratification of labor conditions which all industrial communities should endeavor to apply so far as their special circumstances will permit.

"Among these methods and principles, the following seem to the High Contracting Parties to be of special and urgent importance:

"First. The guiding principle above enunciated that labor should not be regarded merely as a commodity or article of commerce.

"Second. The right of association for all lawful purposes by the employed as well as by the employers.

"Third. The payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country.

"Fourth. The adoption of an eight hours day or a forty-eight hours week as the standard to be aimed at where it has not already been obtained.

"Fifth. The adoption of a weekly rest of at least twenty-four hours which should include Sunday whenever practicable.

"Sixth. The abolition of child labor and the imposition of such limitations on the labor of young persons as shall permit the continuation of their education and assure their proper physical development.

"Seventh. The principle that men and women should receive equal remuneration for work of equal value.

"Eighth. The standard set by law in each country with respect to the conditions of labor should have due regard to the equitable economic treatment of all workers lawfully resident therein.

* From *Monthly Labor Review*, May, 1919, U. S. Dept. of Labor.

"Ninth. Each State should make provision for a system of inspection in which women should take part in order to insure the enforcement of the laws and regulations for the protection of the employed.

"Without claiming that these methods and principles are either complete or final, the High Contracting Parties are of opinion that they are well fitted to guide the policy of the League of Nations and that if adopted by the industrial communities who are members of League and safeguarded in practice by an adequate system of such inspection, they will confer lasting benefits upon the wage earner of the world."

National War Labor Board Principles

PRINCIPLES AND POLICIES TO GOVERN RELATIONS BETWEEN WORKERS AND EMPLOYERS IN WAR INDUSTRIES FOR THE DURATION OF THE WAR

There should be no strikes or lockouts during the war.

RIGHT TO ORGANIZE

The right of workers to organize in trade-unions and to bargain collectively through chosen representatives is recognized and affirmed. This right shall not be denied, abridged, or interfered with by the employers in any manner whatsoever.

The right of employers to organize in associations or groups and to bargain collectively through chosen representatives is recognized and affirmed. This right shall not be denied, abridged, or interfered with by the workers in any manner whatsoever.

Employers should not discharge workers for membership in trade unions, nor for legitimate trade union activities.

The workers, in the exercise of their right to organize, should not use coercive measures of any kind to induce persons to join their organizations nor to induce employers to bargain or deal therewith.

EXISTING CONDITIONS

In establishments where the union shop exists the same shall continue, and the union standard as to wages, hours of labor, and other conditions of employment shall be maintained.

In establishments where union and non-union men and women now work together and the employer meets only with employees or representatives engaged in said establishments, the continuance of

such conditions shall not be deemed a grievance. This declaration, however, is not intended in any manner to deny the right or discourage the practice of the formation of labor unions or the joining of the same by the workers in said establishments, as guaranteed in the preceding section, nor to prevent the War Labor Board from urging or any umpire from granting, under the machinery herein provided, improvement of their situation in the matter of wages, hours of labor, or other conditions as shall be found desirable from time to time.

Established safeguards and regulations for the protection of the health and safety of workers shall not be relaxed.

WOMEN IN INDUSTRY

If it shall become necessary to employ women on work ordinarily performed by men, they must be allowed equal pay for equal work and must not be allotted tasks disproportionate to their strength.

HOURS OF LABOR

The basic eight-hour day is recognized as applying in all cases in which existing law requires it. In all other cases the question of hours of labor shall be settled with due regard to governmental necessities and the welfare, health and proper comfort of the workers.

MAXIMUM PRODUCTION

The maximum production of all war industries should be maintained and methods of work and operation on the part of employers or workers which operate to delay or limit production, or which have a tendency to artificially increase the cost thereof, should be discouraged.

MOBILIZATION OF LABOR

For the purpose of mobilizing the labor supply with a view to its rapid and effective distribution, a permanent list of the numbers of skilled and other workers available in different parts of the country shall be kept on file by the Department of Labor, the information to be constantly furnished—

1. By the trade unions.
2. By State employment bureaus and Federal agencies of like character.
3. By the managers and operators of industrial establishments throughout the country.

These agencies shall be given opportunity to aid in the distribution of labor as necessity demands.

CUSTOMS OF LOCALITIES

In fixing wages, hours, and conditions of labor, regard should always be had to the labor standards, wage scales, and other conditions prevailing in the localities affected.

THE LIVING WAGE

1. The right of all workers, including common laborers, to a living wage is hereby declared.

2. In fixing wages, minimum rates of pay shall be established which will insure the subsistence of the worker and his family in health and reasonable comfort.

*Resolution No. 82 Offered by C. A. Strickland of the Portland, Ore., Central Labor Council. (Failed of adoption) **

Whereas, The only soil in which "dual unions" have rooted is the attempted monopolization of labor's functionings by the crafts, under the tutelage of the American Federation of Labor; and

Whereas, An aristocracy of union labor would curse the world as sorely as has the aristocracy of capitalism; and

Whereas, By the introduction of modern machinery, one unskilled man is enabled to render a large number of skilled mechanics jobless; and

Whereas, Through this process of changing the methods of doing the world's work it is not far amiss to state that "there are no crafts at the present stage of industrial development"; and

Whereas, The new industrial democracy must be met with entirely new plans of action by the toilers; be it

Resolved, By the Thirty-ninth Annual Convention of the American Federation of Labor, in regular session assembled, that the General Executive Board proceed at once to formulate a plan for the reorganization of the labor movement, to change from the craft-line plan of organization to one being based on the plan of "industries" or "plant unions," making all working cards universally interchangeable. To empower the several shop committees, representing the different classes of work in each plant to form a general shop or plant committee, invested with powers to legislate in all matters of interest to the workmen of that industry. They shall act, subject to, or not in conflict with their District Central Councils, which councils

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shall co-operate with other similar councils, through and by State federated bodies consisting of delegates from the District Central Councils. These State federated bodies to be bound by and conform to the general constitution of the reorganized American Federation of Labor.

Resolved, That the State and National Federation bodies shall hold annual or called conventions as the needs and welfare of labor's interests shall require.

*Samuel Gompers, American Federation of Labor
Convention, 1919:*

"Just about three years ago I conceived the idea of adopting somewhat of a catchy phrase that might help to induce the activity of our fellow workers. It was 'Now for the 3,000,000 mark.' The report of this convention shows that the average membership of our affiliated unions for the past year was a little more than three and a quarter million. In the last month of our Federation the actual membership on which per capita tax was paid passed the figure of 3,600,000. The railroad brotherhoods have made their application to the American Federation of Labor, and when that is accomplished we will have passed the 4,000,000 mark."

John Fitzpatrick, Organizer of Steel Trades:

"It would take too long to describe the tactics adopted to harass our meetings and prevent us from exercising our common, everyday citizenship right. We had meetings in Pittsburgh, where the men had to go through a line of two hundred thugs, plug-uglies and blacklegs employed by the steel trust for the purpose of terrorizing and browbeating the men in the steel industry. In spite of that we went on with our work.

"At Homestead there was a small strike of the machinists. We went into Homestead and held the first open mass-meeting that had ever been held in that city in twenty-seven years. After that meeting was held, other arrangements we had made to organize there were stopped; halls we had rented, arrangements we had made to organize were denied us; the owners who had accepted our money for rent of the halls had to return it, and when they could not use excuses of that kind the health departments at these various towns were used to prevent the committee from holding meetings.

"We went to a place called Monessen, and rented a hall. The money was returned and we were given to understand that meetings

could not be held in that town. Across the river from Monessen is a little town called Charleroi, where a number of miners have their organization. When the miners held their eight-hour day celebration on the first of April, they went over the river to Monessen and held their meeting. . . .

A town nearby was so under the influence of the steel combination that not only were the employers of the steel trust intimidated but they undertook to use their influence to intimidate the business men. The business men were forced to sign a petition asking the working men not to join the organization, and to declare that their conditions in those slave-pens were satisfactory to them. . . .

In McKeesport we arranged meetings and met with the same kind of opposition. We were denied the right to meet in the street, in halls, or anywhere else. . . .

If we break the opposition of the steel trust the real opposition to the labor movement of this country will be removed. That is the one big thing, if nothing else is to be obtained in this work. We hope to be able to accomplish that; and it is possible of accomplishment. There are about a half a million men connected with the iron and steel industry; a large portion of them are mechanics, but the great majority of them are common laborers. I presume if our skilled trades would proceed to make arrangements with the steel industry we could very readily bring within our lives all that we desire, but in doing that we would have to pay the price of leaving that common labor which is in the majority, to the future mercy of the steel trust. That price we will never pay; never.

In the ten months since this committee was created a hundred thousand men have been brought into the folds of our organization. If that result can be brought about in ten months we shall be able, through the concentrated efforts of the international organizations and with the support of the American Federation of Labor, to bring the other four hundred thousand men in the steel industry into the labor movement inside of the next year. That is the constructive work we have been engaged in, and I hope when you leave this convention, with all the other responsibilities and duties you have, you will help this situation. It is a vital and important matter and means much to the future of the labor movement."

3. LABOR AND THE BENCH

*Unanimous Recommendations of the A. F. of L. on the Powers of the Judiciary **

A year ago the convention of the American Federation of Labor was advised of the great danger involved in this case [Coronado Coal Co. vs. United Mine Workers] and that by the final affirmation of this judgment, the right to strike was not only outlawed, but that the right of the workers to combine and to bargain collectively were likewise seriously attacked. Attention was directed to the fact that this assault and encroachment on the right of trial by jury was a flagrant disregard of constitutional safeguards to the freedom of action guaranteed our people.

At that time we sought to impress the convention with the dangerous principle which the court had invoked to attack the funds of trade unions, to jeopardize the savings of the wage earners, and thus ultimately destroy the virility and aggressiveness of the trade union movement.

We are now advised by the Executive Council that the appeal of the United Mine Workers in the District Court has been in vain and that the misjudgment of the lower court has been affirmed. While the United Mine Workers are preparing an appeal to the Supreme Court of the United States. . . . it is important to note that the tendency of the employing interests to-day is to hold the trade unions responsible financially for whatever alleged ill-advised or wrongful act any one of its members or sympathizers may commit, inadvertently or by design, on the theory that the trade union movement is obligated to discipline and to direct the conduct of all its members.

Our organization of law presents indeed a mass of inconsistencies and contradictions. While organizations of capital are encouraged and protected, combinations of workers are constantly attacked. While employers may unite and combine against workers and against the buying public, the right of the workers to resist encroachments and to right admitted wrongs is constantly being interfered with. Whenever an officer of an incorporated financial, indus-

*Reprinted by permission from A. F. of L. Convention Proceedings, 1919.

trial or commercial enterprise exceeds the power specifically delegated to him, the courts declare his act *ultra vires* and the company is absolved from all responsibility. But when a labor man at a trade union meeting makes utterances which are condemned by those in authority, . . . then the union and its members may nevertheless be robbed of their funds and savings. Such is the awkward contradiction in our administrative law of to-day.

It was the spirit of the jurisprudence of slavery which forbade the slaves the opportunity to read to defend themselves, and so it is the jurisprudence of employers of to-day to contrive doctrines which deny the workers a full opportunity of defense. The time has passed, however, when our courts should be longer permitted to devise legal doctrines and design local fictions by which to deny the wage earners equal rights and privileges before the law. . . .

. . . The power of our courts to declare legislation unconstitutional and void is a most flagrant usurpation of power and authority by our courts and is a repudiation and denial of the principle of self-government recognized now as a world doctrine. The continued exercise of this unwarranted power is a blasphemy on the rights and claims of free men of America.

This usurpation of power by our courts to subordinate the legislative and executive departments to their will and compel the activities of a free people to their whims and dictates is paralleled and equalled only by the further usurpation of authority by our courts to legislate and punish people in direct defiance of constitutional safeguards to personal liberty and freedom of action. By the issuance of injunctive decrees of our courts, by the restraint they place upon the normal and rightful activities of a free people, by the punishing of free men in the exercise of their constitutional rights without opportunity to a trial by jury, by the removal of safeguards thrown around the individual against extreme and excessive punishments and the denial of an opportunity for executive clemency, our courts have vested themselves with a power greater than any despot heretofore possessed.

The fate of the sovereignty of the American people hangs in the balance. It is inconceivable that such an autocratic, despotic and tyrannical power can long remain in a democracy.

Robert F. Howie: Trade Unionism in the United States * (pp. 228, 234-37, 245, 249)

Combinations of workers in trade unions for the purpose of affecting the wage rate and conditions of employment, are, *as such*,

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lawful. Unions in themselves are lawful so long as they do no unlawful acts, i.e., the combination for lawful purposes is not unlawful. But no man can lawfully surrender his rights, and the unions are lawful only so long as they do not infringe on the rights of their members, other laborers, employers, or society. This implies that they do not interfere with the right of any worker to refuse union membership, to violate union rules, to work where, when, for whom, for what, and under what conditions, if lawful, he pleases; or, with the right of the employers to hire whom they will, refuse to hire union men exclusively, discharge at will, trade with whom they will; that they do not appear to the courts to restrain trade in any way; that their *intent* is not to do any of these things, and that they do not attempt to enforce any of these things by any act that may be interpreted by the courts as constituting intimidation, coercion, or violence, or threats thereof. But unions, being restraining combinations, may, with the greatest facility, become in their actions, combinations in illegal restraint of trade. As our law fundamentally was conceived for an individualistic society, in an era when the competitive ideal was uppermost, and among its main purposes are therefore the protection of freedom of individual contract, freedom of trade, free industrial action of individuals and property right, and as the aim of the unions is to protect their members against the effects of these things, and their main policies are directed against them, the legality of unions tends to mean little in fact. *As such*, they are legal, but as soon as they *function*, they easily become lawless.

In the practical application of the injunction, the courts appear inclined to consider almost anything as a property right and almost any act of strikers a possible irreparable violation of property right. Thus, while injunctions will not issue to restrain libel or slander they will restrain the use of unfair lists, boycott notices, and the like, considered as intimidating or coercive. In practice, injunctions may issue to cover almost any human act which the court may deem productive of irreparable injury to property. For instance, in the Buck's Stove and Range case, the injunction prohibited the officers of the American Federation of Labor, officers and members of affiliated unions, agents, friends, sympathizers, counsel, conspirators and co-conspirators from making any reference whatever to the fact that the Buck's Company had ever been in any dispute with labor, or to the fact that the Company had ever been regarded as unfair, had ever been on any unfair list, or on a "we don't patronize" list of the American Federation of Labor or of any other organization, and also prohibited any person from either directly or indirectly referring to any such controversy by printed, written or spoken word. . . .

The law, as interpreted by the courts, is in effect a series of logical deductions from a set of basic premises or principles. When it fails to satisfy the demands of justice it is not usually because the court is biased but because logical deductions from a set of fixed absolutistic principles cannot meet the needs of developing social ideals and relationships. In general, the courts through their unchallenged right to interpret the meaning and constitutionality of law which is based, as we have seen, first, on the assumption of a natural order and absolute natural rights, as expressed in the common law, which is itself a creation of the courts, and as confirmed by written constitutions, have much more actual power in determining the rights and legal status of labor and the employers than the legislatures and the people.

The law, in so far as it assumes to represent the essence of positive justice but reflects the relations of handicraft industry, has no comprehension of modern industrial conditions, nor of their inevitable consequences, and no modes of dealing with them except by prohibition. It has no comprehension of a machinery for dealing out justice in a state of society changed and changing from that in which it was conceived. Being actually unable to outlaw combination, for industrial forces are more compelling than legal restraint, not being wholly uncognizant of the injustice worked by its arbitrary decrees, but unable to give up its pre-revolutionary standpoint, it is obliged to seek actual justice by shuffling, halting, roundabout methods and disingenuous distinctions which vary with the intelligence and bias of the particular courts. As the law in spirit is individualistic, as it makes the freedom and sacredness of individual contract the touchstone of absolute justice, and as the unions are formed to escape the evils of individualism and individual competition and contract, and all the union acts in positive support of these purposes do involve coercion, the law cannot help being in spirit inimical to unionism. Unionism is in its very essence a lawless thing, in its very spirit and purpose a challenge to the law. Hence, even where the judges are understanding and intend to be sympathetic to unionism, if they are true to the law they must tend to be unfair to unionism. . . .

The fundamental assumptions and framework of our present law are an eighteenth century product. They developed partly as a reaction against a previous restrictive legal system which had outlived its workability and partly in response to a new social philosophy which attained definite form and acceptance during the eighteenth century. They were pragmatically true for the time of their development, i.e., they harmonized with the general thought of the period and they fitted the conditions and needs of the economic situation.

Hardly had they been established, however, when the industrial revolution created a new economic situation which made them pragmatically false in their application, i.e., unjust and socially vicious. Somewhat later a new social philosophy developed with which they are entirely out of harmony. They persist, therefore, mainly by force of social tradition. The new economic condition and the new social philosophy are bound gradually to displace them and create a new legal basis and framework adapted to the new situation.

The eighteenth century philosophy of Europe was taken over by America and crystallized in written constitutions. The Constitution of the United States is based definitely on the notions of natural order and natural rights. The natural rights which it especially guarantees are the right to property and the equal protection of the laws. The notion that government should keep hands off industrial affairs and relations, and that free contract is the touchstone of social and individual well-being, was adopted without question by the American courts. These rights of the individual employer and worker, intrenched by constitutional private property guarantees, thus became in America the basis of industrial law.

*Henry R. Seager: Bias of the Courts** (p. 52)

I don't see how any fair minded person can question but what our judges have shown a decided bias in favor of the employers. I would not be inclined to ascribe this so much to a class bias, although I think this is a factor, as to the antecedent training of judges. Under our legal system the principal task of the lawyer is to protect property rights, and the property rights have come to be concentrated more and more in the hands of corporations, so that the successful lawyer of to-day, in a great majority of cases, is the corporation lawyer. His business is to protect the rights of employers and corporations. It is from the ranks of successful lawyers, for the most part, that our judges are selected, and from that results inevitably a certain angle on the part of a majority of our judges.

Judge Walter Clark, Chief Justice of the Supreme Court of North Carolina, also testified before the Commission as follows:

Chairman Walsh. Have you studied the effect of the use of injunctions in labor disputes generally in the United States, as a student of economics and the law?

Judge Clark. I do not think they can be justified, sir, (Their effect) has been, of course, to irritate the men, because they

* Final Report Federal Commission on Industrial Relations, 1915.

feel that in an Anglo-Saxon community every man has a right to a trial by jury and that to take him up and compel him to be tried by a judge, is not in accordance with the principles of equality, liberty and justice.

Thomas Reed Powell: Collective Bargaining before the Supreme Court (pp. 396-429)

In three important cases a majority of the United States Supreme Court has thwarted efforts of labor unions to increase their numbers. In all three there was vigorous dissent. All three were opposed to the judgment of the court below. The first two found statutes wanting in the requirements of due process of law. *Adair v. United States* annulled an Act of Congress which prohibited interstate carriers from discharging an employe because of his membership in a labor union. *Coppage v. Kansas* declared invalid a state law which forbade any employer to require of employes or of persons seeking employment an agreement not to become or remain a member of a labor union. The third decision is *Hitchman Coal and Coke Company v. Mitchell et al.*, handed down last December. It deals with a situation created by the type of agreement which Kansas sought unsuccessfully to forbid. Officers of a labor union were restrained by injunction from securing secret promises to join the union from employes who had agreed to relinquish their employment in case they became members.

Each of these decisions was rendered in the name of freedom and liberty. But since each dealt with conflicting interests, each necessarily involved interfering with liberty as well as protecting it. The majority judges of the Supreme Court must have thought that the liberty they safeguarded was for some reason entitled to more consideration than the liberty they curtailed. And the minority and the judges below must have held contrary views. The importance of the decisions and of the court which rendered them may make it profitable to review the various opinions and try to arrange the controlling reasons for the divergent views. In so far as the opinions do not lend themselves to this purpose, an endeavor will be made to indicate the fact. It not infrequently happens that a judicial opinion, like the arguments of counsel, starts from a selected premise which has in it the seeds of a desired result, and neglects to weigh that premise in even scales against competing premises which are equally significant but which bear other fruit.

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Only four of the judges sat in all three cases. Of these Chief Justice White was consistently with the majority, and Mr. Justice Holmes with the minority. Mr. Justice McKenna was with the majority in the *Coppage* case and the *Hitchman* case, and with the minority in the *Adair* case. Mr. Justice Day dissented in the *Coppage* case and concurred in the other two. Justices Pitney, Van Devanter and McReynolds sat in the *Coppage* case and the *Hitchman* case and concurred in both. With them in the *Coppage* case was Mr. Justice Lamar; against them, Mr. Justice Hughes. Chief Justice Fuller and Justices Harlan, Peckham, and Brewer completed the majority in the *Adair* case; and Justices Brandeis and Clarke, the minority in the *Hitchman* case.

I

The *Adair* case involved no dispute as to the facts, as the respondent by demurring to the indictment confessed that he had discharged an employe of an interstate railroad because of his membership in a labor union. The sole issue before the court was the constitutionality of the statute forbidding such discharge. And the opinion of Mr. Justice Harlan maintained its unconstitutionality by asserting it.

Adair was an agent of the carrier. "It was his right," says the learned justice, "and that right inhered in his personal liberty, and was also a right of property, to serve his employer as best he could, so long as he did nothing that was reasonably forbidden by law as injurious to the public interests." This seems a prelude to a consideration of the question of reasonableness. But we are not thus favored. Instead we are informed again that "it was the right of the defendant to prescribe the terms upon which the services of *Coppage* (the employee) would be accepted, and it was the right of *Coppage* to become or not, as he chose, an employe of the railroad company upon the terms offered him."

This describes the legal situation before the passage of the statute. The parties were at liberty to bargain as they pleased about the affiliation of the employe with a union. But what we need to know is why the legal situation created or sanctioned by the common law cannot be changed by statute. We do not gain light on this point from any recital of the rights of the parties at common law, however oft repeated. . . . The succeeding paragraph in the opinion takes us no further in our quest. It cites *Lochner v. New York*, and says that all the court were agreed "as to the general proposition that there is a liberty of contract that cannot be unreasonably interfered with by legislation." Next follows the concession that the "right of liberty" is subject to "such reasonable re-

straints as the common good or general welfare may require." But this is succeeded, not by a discussion of the question of reasonableness, but by a neglect of it. Note the significant silence on the controlling issue:

. . . It is not within the functions of government—at least in the absence of contract between the parties—to compel any person, in the course of his business, and against his will, to accept or retain the personal services of another.

After reiterating again the common-law rights of the employer and of the employee, the opinion continues:

In all such particulars the employer and the employee have equality of right, and any legislation that disturbs that equality is an arbitrary interference with the liberty of contract which no government can legally justify in a free land.

There is more to the same effect. Summing it up, the statute is unconstitutional because it is unconstitutional.

It is not surprising that such an avoidance of the question of reasonableness prompts Mr. Justice McKenna to open his dissent by saying:

The opinion of the court proceeds upon somewhat narrow lines and either omits or does not give adequate prominence to the considerations which, I think, are determinative on the questions in the case. And later he suggests that an inquiry be made as to the purpose of the legislation, "without beating about in the abstract."

This purpose Mr. Justice McKenna finds in the other provisions of the statute setting forth a plan of arbitration to prevent the strikes which are apt to arise from disputes between employers and employed. The unions among railroad employees, he says, exist, and are a fact to be reckoned with. They create a unity among employees which may be an obstacle or an aid to arbitration. Congress sought to make this unity an aid in the settlement of labor disputes. The requirement is therefore in the public interest. It is imposed only on those engaged in a public service enterprise, who are subject to control in the interest of the public. With the rights of those engaged in private business "we are not concerned."

Mr. Justice McKenna therefore finds the restriction on the liberty of the carriers a reasonable one, because, accepting conditions as they are, it will tend to prevent strikes. Mr. Justice Harlan dismisses this alleged justification in a somewhat roundabout way. He enters upon the question in order to discover whether the act is a regulation of interstate commerce. This is in response to some argument which he calls a suggestion that the act "can be referred to the power of Congress to regulate interstate commerce, without any regard to any question of personal liberty or right of property under

the Fifth Amendment." If the argument was put in this way, it confused two distinct questions. The opinion recognizes this when it says later that the power over commerce "cannot be exerted in violation of any fundamental right secured by other provisions of the Constitution." And if the act is not a regulation of interstate commerce, it is unconstitutional, even if it does not also violate the Fifth Amendment. So that the majority, by holding that the objects of the statute are not within the purview of the commerce power, avoid explicit analysis of the reasons adduced by the minority for the reasonableness of its interference with liberty.

Mr. Justice Holmes looks deeper. The statute, he finds, "simply prohibits the more powerful party to exact certain undertakings, or to threaten dismissal or unjustly discriminate on certain grounds against those already employed." If there is believed to be an important ground for the restraint, "the Constitution does not forbid it, whether the court agrees or disagrees with the policy pursued." Mr. Justice Holmes does not confine his sanction to the object of preventing strikes. Though he thinks that laboring men are apt to attribute to unions advantages "that really are due to economic conditions of a wider and deeper kind," he says that he "could not pronounce it unwarranted if Congress should decide that to foster a strong union was for the best interest, not only of the men, but of the railroads and the country at large." And his conclusion, which he puts at the beginning of his opinion, is stated as follows: "I also think that the statute is constitutional, and, but for the decision of my brethren, I should have felt pretty clear about it."

So much for the arguments of the judges. Mr. Justice Holmes sees the issue as one of policy which it is for Congress to decide. The majority find some eternal right of the carrier to be left alone, against which Congress beats in vain. They build this right on the common-law right of the carrier to be immune from dangers if it dismissed an employe because he was a member of a union. But this common-law right was a judicial creation with respect to an issue between man and man. The issue in the *Adair* case is one between man and the government. The new right of the carrier discovered by the *Adair* case is wholly different from that which it had at common law. An immunity against an individual has been enlarged into an immunity against the government. Yet the court seems to think that it is merely protecting an old right, and not creating a new one. Thus it avoids giving any substantial reason for its decision.

The majority recognizes that the issue before the court is one of reasonableness. The merit of its opinion depends, therefore, upon its discussion of that issue. Legislatures are fortunate in not being

called upon to give reasons for the law they make. Courts are under a duty to give weighty and specific reasons before they unmake the law made by the legislature. They may not inappropriately be held subject to the canon that the vigorous assertion of a conclusion is not the giving of a reason for it. Judged by this canon, the majority opinion in the *Adair* case is sadly wanting. Its declaration that it is not within the functions of government to compel a person against his will to retain the services of another, is beside the point, because Congress did not compel the carrier to retain the services of any of its employes. There is a wide difference between prohibiting discharge for a single, specified reason, and prohibiting discharge altogether. The court cannot convince us of the unreasonableness of what Congress did, by telling us that it is not within the functions of government to do something more drastic. It does not enlighten us on the question of reasonableness by the rhetorical fiat that "the employer and the employe have equality of right, and any legislation that disturbs that equality is an arbitrary interference with liberty of contract which no government can justify in a free land." Yet it is on this fiat that the decision rests, and not on anything that can be dignified with the title of reason.

II

The question of the disturbance of equality between employer and employed receives further discussion in the opinions in the *Coppage* case. The majority in that case insist that a statute which forbids an employer to require of a laborer, as a condition of obtaining or remaining in employment, an agreement not to become or remain a member of a labor union, is as vicious as one which forbids dismissal because of membership in a union. If the employer must remain free to discharge an employe for any reason that seems to him good, he must be permitted to announce in advance what reasons he will deem sufficient for discharge. "Granted the equal freedom of both parties to the contract of employment, has not each party the right to stipulate upon what terms only he will consent to the inception or to the continuance, of that relation?" In a dissent which takes only a paragraph he (Mr. Justice Holmes) says:

In present conditions a workman not unnaturally may believe that only by belonging to a union can he secure a contract that shall be fair to him. If that belief, whether right or wrong, may be held by a reasonable man, it seems to me that it may be enforced by law in order to establish the equality of position between the parties in which liberty of contract begins. Whether in the long run it is wise for the workingman to enact legislation of this sort is not my concern, but I am strongly of the opinion that there is

nothing in the Constitution of the United States to prevent it. . . .

Thus Mr. Justice Holmes regards the statute as a promoter of liberty and equality. The minority regard it as an interference with both. This is not to say that they disagree as to the results the law ought to produce. Their difference relates to the characterization of those results. It goes to the essence of what each means by liberty and equality.

To the minority liberty and equality mean something actual and concrete. Mr. Justice Day says of the Kansas statute: "I think that the act now under consideration, and kindred ones, are intended to promote the same liberty of action for the employe, as the employer confessedly enjoys." It is a step toward making them equal in bargaining power. It prohibits "coercive attempts" on the part of employers to deprive employes "of the free right of exercising privileges which are theirs within the law." To the argument of the majority that there is no element of coercion in offering an employe a choice between his union and his job, Mr. Justice Day says that this neglects the facts as to the relative positions of employer and employed. The choice legally open to the employe is not actually open to him. He cannot enjoy his legal right to be a member of a union, if he is hampered thereby in working for his living in the occupation for which he is best fitted.

To this the majority reply that "constitutional freedom of contract does not mean that a party is to be as free after making a contract as before." By agreeing to work, the employe yields the enjoyment of his legal right to use his time as he pleases. "Freedom of contract, from the very nature of the thing, can be enjoyed only by being exercised; and each particular exercise of it involves making an agreement which, if fulfilled, prevents for the time any inconsistent course of conduct." While an individual has a legal right to join a union "he has no inherent right to do this and still remain in the employ of one who is unwilling to employ a union man."

This of course is but to reiterate the common-law situation. The statute meant to give the employe a freedom he did not have at common law. The minority says that his ancient legal liberty was not an actual liberty, and that it is within the power of the state to add to his actual liberty. In so doing it cuts down the legal liberty of the employer, but it leaves him with an actual liberty which, by reason of his economic superiority, is equal to the actual liberty of the employe.

This discussion of liberty is of value only as it leads us to the issue of equality. Of course no one has actual liberty to use all his legal liberty. He must pick and choose. Every one is subject to some degree of economic coercion. Mr. Justice Day's statement

that the Kansas statute "has for its avowed purpose the protection of the exercise of a legal right" to join a union is true enough as far as it goes. But it has the same incompleteness which marks the argument of the majority that the statute interferes with the legal right of employers to prescribe the conditions on which they will make contracts. The protection of the common-law right of the one is gained only by limiting the common-law right of the other. All argument is vain which confines itself to the elaboration of the effect of the statute on one of these rights, disregarding its effect on the other.

The common law left the employee free to join a union. It left the employer free to decline to hire members of a union. In some upper conceptual chamber these two common-law liberties may dwell together in amity. In actual life they conflict. The conflict had to be resolved in the course of a struggle in which the public interests suffered. If the state is to step in to aid the public interest by reducing the friction between the parties, it must do something more than to sanction what already exists. The minority is correct in its position that the state has protected the exercise of the legal liberty of the employee. The majority is correct in its assertion that the state has interfered with a previous legal liberty of employers. The issue is whether the former is a justification for the latter.

The majority, in seeking for possible justifications, find none. Other interferences with liberty which have been judicially sanctioned have been "fairly deemed necessary to secure some object directly affecting the public welfare." But of the statute in question, putting aside the question of coercion, Mr. Justice Pitney says:

. . . There is no object or purpose, expressed or implied, that is claimed to have reference to health, safety, morals, or public welfare, beyond the supposed desirability of leveling inequalities of fortune by depriving one who has property of some part of what is characterized as his "financial independence." In short, an interference with the normal exercise of personal liberty and property rights is the primary object of the statute, and not an incident to the advancement of the general welfare.

This is to say that the object of the statute is to promote equality of actual opportunity, solely for the sake of that equality—a result which could not promote the general welfare. Moreover the Constitution is regarded as having been designed to prevent the legislature from promoting equality of opportunity. Inequality is the necessary result of the institution of private property. "Wherever the right of private property exists, there must and will be inequalities of fortune." It is "impossible to uphold freedom of contract and the right of private property without at the same time recognizing as legitimate

those inequalities of fortune that are the necessary result of the exercise of those rights." Since a state may not cut down the rights of private property directly, it "may not do so indirectly, as by declaring in effect that the public good requires the removal of those inequalities that are but the normal and inevitable result of their exercise, and then invoking the police power in order to remove the inequalities, without other object in view."

Constitutional freedom of contract therefore is not "freedom of action." It is freedom from legislative interference with action. This is freedom for employer and employe alike, even though for the employe it is but the wraith of genuine freedom. Equality between employer and employe is not approximate evenness of bargaining position. It exists only when both are equally let alone by the legislature. The state may not, as Mr. Justice Holmes contends, "establish the equality of position in which liberty of contract begins." It must not interfere with that inequality of position which enables the one with superior position to drive a hard bargain. The owner of property must be guaranteed advantage in all his dealings with those who have less than he. In the words of Mr. Justice Pitney:

Indeed, a little reflection will show that wherever the right of private property and the right of free contract co-exist, each party when contracting is inevitably more or less influenced by the question whether he has much property, or little or none; for the contract is made to the very end that each may gain something he needs or desires more urgently than that which he proposes to give in exchange. . . . If the opinions in the *Coppage* case do not deal satisfactorily with the determining issue, they are not alone in their deficiencies. Like many other judicial opinions they use methods unsuited to the task in hand. But though they give us little or no guidance in forming an intelligent judgment on the merits of the legislation under review, they afford interesting evidence of the methods by which constitutional limitations are actually interpreted and applied.

The Kansas statute deprived employers of a liberty which they were allowed by common law. But the Constitution does not unqualifiedly forbid the taking of liberty. It forbids it only when the taking is without due process of law. And the meaning of due process is not hinted at. It has been left for the courts to work out. In so far as the clause has become a criterion of the validity of legislative objects, the issue is always what constitutes an adequate justification for the taking in question. It is not logic nor the language of the Constitution which declares that the promotion of the liberty of the laborer to be a member of a union is not a

legitimate legislative object. It is a judgment, conscious or unconscious, on a question of policy. The issue in the *Coppage* case was one of policy and all the competing interpretations of the terms "liberty" and "equality" cannot disguise the fact.

. . . . The inadequacy of the reasoning in many constitutional opinions, to which Mr. Justice Holmes refers, drives those who seek to understand the actual working of our institutions of government to look beyond that reasoning. The explanation of the decisions not infrequently depends in part upon the social philosophy of the judges, and in part upon their psychology. Some judges succeed fairly easily in disregarding their personal views of policy and in sustaining statutes for which as legislators they would not have voted. Others find the task more difficult, possibly because their predilections are stronger, possibly because they are less conscious of the considerations that press to play a part in their decisions. Difficult as it is to tell just what weight these factors have in the development of our constitutional law, it is impossible to exclude them entirely. We know pretty clearly the contrast between Marshall and Taney. On some important questions it is not difficult to prophesy accurately in advance how the last three judges appointed to the bench will align themselves. With others the task is more difficult. But the fact that considerations which may influence decisions elude discovery does not negative their presence or their power. Whenever judicial decisions must be adjudged logically bankrupt, and the bankruptcy is recognized by dissenting colleagues, we may feel insecure in dismissing as unimportant the relation between the social outlook of legislators and the social outlook of judges.

III

The majority opinions in the *Adair* case and the *Coppage* case set forth clear and definite ideas of liberty and equality. It is of the essence of the liberty of employers that they be free to accept or reject employes for any reason they please. It is of the essence of the liberty of employes that they be free to join unions or to keep aloof from them. Equal freedom for employers and for employes is the watchword of the opinions. This freedom, however, is not freedom from economic pressure. It is freedom from legal restraint. Unions are lawful organizations, like churches, political parties, and the national guard. But they are not entitled to the aid of the law in their efforts to increase their numbers. They must make their own way. But this they must be free to do, so far as the law is concerned, unless they adopt obnoxious methods. Leaving aside the question of methods, equality of legal right between employers and employed means the non-interference of the law in their strug-

gles over collective bargaining. And this principle of equality of non-interference is so sacred that legislation cannot trespass upon it without running afoul of the restrictions set by due process. §

From these views of policy which permeate the majority opinions in the two cases thus far considered, we turn to the case of *Hitchman Coal and Coke Company v. Mitchell*. The complainant was a closed non-union mine. Each employe was engaged under circumstances which the majority opinion states as follows:

Mr. Pickett, the mine superintendent, had charge of employing the men, then and afterwards, and to each one who applied for employment he explained the conditions, which were that while the company paid the wages demanded by the union and as much as anybody else, the mine was run non-union and would continue so to run; that the company would not recognize the United Mine Workers of America; that if any man wanted to become a member of that union he was at liberty to do so; but he could not be a member of it and remain in the employ of the Hitchman Company; that if he worked for the company he would have to work as a non-union man. To this each man employed gave his assent, understanding that while he worked for the company he must keep out of the union. While this arrangement was in force, officers of the United Mine Workers of America visited the employes and solicited them to agree to join the union and to keep secret the fact of their so agreeing, until such time that enough had agreed so that the officers of the union were ready to have the employer informed. Against these acts of solicitation, an injunction was granted by the district court. After being reversed by the court of appeals the decree of the district court was sustained by the Supreme Court, with the exception of that part which restrained picketing and acts of violence. The exception was due to the fact that neither of these forms of interference had been attempted. . . .

. . . . Earlier in the opinion Mr. Justice Pitney refers to the "rights of workmen to form unions, and to enlarge their membership by inviting other workmen to join them" and says: "the right is freely conceded, provided the objects of the union be proper and legitimate, which we assume to be true, in a general sense, with respect to the union here in question." But then he adds: "The cardinal error of defendant's position lies in the assumption that the right is so absolute that it may be exercised under any circumstances and without any qualification; whereas, in truth, like other rights that exist in civilized society, it must always be exercised with reasonable regard for the conflicting rights of others."

The minority concede that the defendant must show justification. "They were within their rights," says Mr. Justice Brandeis, "if, and

only if, their interference with the relation of plaintiff to its employes was for justifiable cause." And the justification is then stated as follows:

"The purpose of interfering was confessedly in order to strengthen the union, in the belief that thereby the conditions of workmen engaged in mining would be improved; the bargaining power of the individual workingman was to be strengthened by collective bargaining; and collective bargaining was to be insured by obtaining the union agreement. It should not, at this day, be doubted that to induce workmen to leave or not to enter an employment in order to advance such a purpose, is justifiable when the workmen are not bound by contract to remain in such employment."

But the majority insist that the end aimed at was not a justification for the interference. "The defendant's activities," says Mr. Justice Pitney, "cannot be treated as a bona fide effort to enlarge the membership of the union." The reason given is in substance that it was an effort to do something more than to enlarge the union. It was an attempt to unionize the mine after the union was enlarged. But Mr. Justice Pitney says that "there is no evidence to show nor can it be inferred, that defendants intended or desired to have the men at the mines join the union, unless they could organize the mines." Of course, if they gained this end they would enlarge the union. And the enlargement of the union is always sought for some more concrete advantage than mere growth in numbers. The reason why there is any truth to the statement that the defendants did not wish plaintiff's employes to join the union unless the mine could be thereby unionized is that such unionization was deemed necessary in order to safeguard the interests of the men after they were in the union and to make it possible for them to remain in the union.

But Mr. Justice Pitney's analysis of the defendants' purposes, however faulty, indicates where he draws the line as to what constitutes an adequate justification. Union organizers can get men to join the union, if they do not thereby interfere with the employer's "undoubted legal and constitutional right to run its mine 'non-union.'" They may increase the union if they do it in such a way that an employer can readily continue to get non-union laborers. But they must not attempt to "alienate a sufficient number of men to shut down the mine, to the end that the fear of losses through stoppage of operations might coerce plaintiff into 'recognizing the union' at the cost of its own independence." The purpose of organizing the mine is no justification. Where "unionizing the miners is but a step in the process of unionizing the mine," the plaintiff "is as much entitled to prevent the first step as the second, so far as his own employes are concerned, and to be protected against

irreparable injury resulting from either." And the purpose of securing collective bargaining is not a justification for disturbing an employer unless the employer is willing to bargain that way. "Whatever may be the advantages of 'collective bargaining,' it is not bargaining at all, in any just sense, unless it is voluntary on both sides."

. If law, as Mr. Justice Holmes says, is a prophecy of what courts will do in fact, it is more important to know what a majority of the Supreme Court think, than what they have technically decided. And it seems pretty clear that at present a majority of the Supreme Court think that labor unions must take no steps whatever to unionize a non-union mine, at least where its non-union character has been protected by contracts with the employees. In the absence of such an object, they may take steps to get union members from a non-union mine, provided the employer is apprised of each inch of their progress. If their success is sufficiently rapid, the employer may find himself in a position where he prefers to ask the men to come back even though they remain in the union. There arises a new situation which the *Hitchman* case does not cover. For it is explicitly stated in the majority opinion that "the case involves no question of the rights of employees," and further that the "defendants could not, without agency, set up any rights that employees might have."

. These competing policies are undoubtedly debatable. It is much less clear that the judges have satisfactorily debated them. Much, if not most, of the reasoning given in support of the decisions is abstract and artificial. "Liberty and equality and right" seem often to be terms to conjure with, rather than to enlighten. We are not likely to get a solution of the problem of collective bargaining, through the jurisprudence of abstract conceptions. Indeed jurisprudence of any kind may play but a pigmy part in the solution which seems to be conditioned less on the conclusion of judicial reasoning than on what a despised and revered writer has called "that singular line of expedience which the drift of circumstance, being not possessed of a legal mind, has employed in the sequence of institutional change hitherto." The three decisions under review do not seem greatly to have delayed the progress of collective bargaining. They may soon be mainly of philosophical and antiquarian interest.

VII. PROPOSED PLANS OF ACTION

I. REFORM

Graham Wallas: The Great Society * (pp. 348-69)

BUT the position of men and women in the great industry is only one of a multitude of problems in the Great Society whose solution is best approached by the criterion of Happiness. In applying that criterion it is often convenient to use Aristotle's quantitative conception of the Mean. Although particular pleasure-sensations are caused by the stimulation, whether weak or strong, of particular dispositions, the feeling tone of pleasantness, and still more the state of consciousness called Happiness, may accompany the stimulation of all or any of our dispositions, provided that that stimulation takes place neither in excess nor defect but to the right or "Mean" degree. If we use this formula, it becomes easy to see, for instance, that, outside as well as inside the hours of industrial employment, failures in the organized production of Happiness are often due to the fact that "Division of Labor" has been carried to a point where, in respect of some particular function, the mass of mankind have too little given them to do for Happiness, and a few responsible persons too much. The old objection to the "dull uniformity" of Socialism, which has always seemed so absurd to the Socialists, and which nevertheless so constantly reappears, is due to a half-conscious realization in the average man's mind from innumerable cases where, under public or philanthropic management, the function of Thought has been loaded onto a single overworked brain and denied to the many who in that respect are underworked. One sees the girls from an orphanage file along the street. Each girl walks by a companion, not chosen by herself with all the painful-delightful scheming of girlhood, but by the tired mistress who gives a general order that the girls nearest to each other in height should walk together. They all wear clothes and boots and carry umbrellas of the same pattern. A uniform hat-ribbon may be necessary for recognition and discipline; but one feels that if each girl had chosen her necktie and umbrella, even from a dozen equally cheap patterns, both the choosing and the wearing would have been a source of positive Happiness. If a committee of each class in such an institution chose dinner daily from the list

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of possible dishes, six girls would spend ten minutes each in the effort of Thought instead of one matron spending ten seconds. But the girls would enjoy their effort and the matron does not.

The fact, again, that there is a Mean in our powers of forming intimate acquaintance, that it is a joy to know enough people and a weariness to know too many, affects not only the group-organization of the Great Industry, but also the life of the industrial worker during the now slowly lengthening interval between his work and his sleep. The young unmarried artisan, or shopman, or clerk generally lives either in a one-roomed lodging with a defect of intimate association or in a great boarding-house with an excess of it. Outside his factory or office, he may either know no one to speak to or have a hundred nodding acquaintances and no friend.

Many opponents to the socialistic tendency in modern politics are honestly convinced that this departure from the Mean in the use of human faculties is a necessary result, both of the collectivist type of organization, and of dependence upon exceptional public spirit as a directing social force. The representative or the philanthropist is, they believe, compelled by the nature of his being to do his fellow-men's thinking for them, and to think of them as if they were all alike. It is only when you leave mankind as far as possible "free" to direct their own lives, that they will, it is argued, each for himself, contrive a working approximation to the Mean. At this point the anarchist-communist and the individualist defender of property are often in very real sympathy. Hodgskin and Proudhon were perhaps the two ablest leaders in the nineteenth-century revolt against property as the enemy of freedom. But both of them ended in believing that their ideal would be best attained by the defense of property against the States. In England to-day, Mr. Belloc and Mr. Chesterton, while attempting to recreate the ideal of Catholic peasant proprietorship in a world of railways and factories, often find themselves in alliance with those interests which have no ideals beyond the rapid making of large fortunes.

The present form of the doctrine that Happiness is better attained by *Laissez-Faire* (secured either by the existing rights of property or by some kind of anarchism, or by such a combination of the two as the "Associative" or "Distributive" State) than by either the Representative State or organized philanthropy, may perhaps be put most effectively if it is divided into two arguments. The first would be that which I have just indicated, that new social arrangements to meet the needs of a new environment cannot be invented for the mass of mankind by a few professed thinkers and politicians, but must be the result of innumerable experiments in which as many individuals as possible have freely taken part. The second argu-

ment would be that no new arrangements which are invented can work well unless they are based upon the permanent freedom of each individual to manage his own life and to use or abuse his own property.

With regard to the first, it is true that Happiness depends upon so subtle and complex a harmony of innumerable factors that the mind of the single thinker is a poor substitute for the intimate experiences of the many minds for whom he thinks. But yet the very complexity and interconnection of all modern social problems make it almost impossible for social invention to proceed by individual experiments, founded upon the individual needs of the inventor and his family, and imitated by their neighbors. If any large proportion of the young clerks and apprentices in a great modern city are to form the right kind of friendships, it is not enough, though it is important, that boys or parents should look out for chances. Some one possessed of special power or knowledge or devotion must also cause "overtime" to be so regulated and restricted that the lads can make and keep appointments with each other after work. And now that the streets are nearly as noisy and as full of moving machinery as a factory, some one must arrange the provision of quiet places (class rooms out of school hours, clubs, gymnasiums, or parks), where lads can talk and play together; or tram committees or railway companies must grant new facilities for carrying them to the spots from which country walks can begin. We now take the continuous discovery and immediate spread of mechanical inventions for granted, because we grant patents for them, and a patentee can make a fortune by pushing his ideas. But no patents are granted, because no monopoly is possible, for inventions in social organization. Though it may occasionally pay a railway company to advertise the general notion, say, of country walking, the inventors of the Boy Scouts had to spend unrewarded years in laborious propaganda, and in the still more laborious collection of subscriptions, before their ideas could be made effective.

While, therefore, it is true that social (as distinguished from mechanical) inventions are not likely to be made at all in the Great Society unless the feelings and experience of many individuals are brought to bear upon them, it is not true that such social inventions will often be effectively made unless that experience is interpreted by organized effort, inspired by "non-economic" motives. And these motives are not now likely to be sufficiently strong and lasting unless they are made either by individuals of exceptional public spirit or by a government whose direct purpose, however imperfectly carried out, is the general good. It is this fact which renders every increase in the articulateness of working men and women, in the

power, that is to say, to bring their feelings and experience and ideas into the common stock so important. . . .

The problem of inventing new social customs in working-class homes involves, indeed, like the problem of inventing social opportunities for the young independent worker, a much more complex and difficult series of factors than does the corresponding problem under middle-class conditions. A well-to-do family can live where they like, and in a house, within wide limits, of any shape or size that they choose. The workingman has to live near his work in a house built by a great company, according to plans narrowly controlled by local by-laws. An annual fortnight's holiday for any large number of families may require an elaborate agreement between the local education authority who teach the children and the manufacturing firms who employ the parents. The question whether it ought to be the custom for daughters to go for evening walks depends upon the opening and shutting and lighting and policing of the nearest public park.

If, therefore, a branch of the Workers' Educational Association, or of the Cooperative Union, consisting about equally of men and women of the working class, would work on this problem with a trained woman sociologist who had access to the customs of other countries, a philanthropic employer, and a member of the local municipal council, the best conditions of invention might be attained; and they might even find themselves making an important beginning in the invention of social customs for that possible English society of the future where, as now in New Zealand or parts of Switzerland, almost the whole population would belong to one "class."

Such an inquiry would enable those who took part in it not only to think with effect upon the customs of the average home, but to remember that which it is so easy to forget, the quantitative relation between a city and its inhabitants.

Convenient city quarters cannot be created by each family choosing a site for itself, any more than healthy city houses can be built without by-laws. The width and direction of streets, the size and position of the public buildings and parks, as well as the height and material of the buildings, must be finally fixed by some one acting on behalf of the whole community. The science of city-planning is therefore rapidly developing into the master-science of the material conditions of modern life. But when one looks, for instance, at the beautiful drawings which have been lately prepared by a body of citizens for a new Chicago, one feels that they are suited to giants and not men, or at least only to the gigantic qualities of mankind. It is a good thing that every citizen's heart should

be occasionally stirred by seeing the tower of a tall municipal office against the skyline, or by standing beneath the enormous dome of a museum. But ten parks, which the inhabitants of ten quarters can reach in a twenty-minutes' walk, are better than ~~one~~ park ten times as large which few can reach without losing a day's work; and if a working man's wife is to buy the family supplies in comfort, shopping streets must be neither too far distant for her feet nor too broad for her eyes.

The second problem, however, in the relation between freedom and social invention is the more important. Ought all social inquiries to be based on the assumption that Freedom is the absolutely essential condition of human Happiness, and, if so, what does Freedom exactly mean? In considering this second problem, it will be convenient to project Freedom onto the same plane as Happiness, to think of Freedom, that is to say, not as an external social arrangement, but as the state of consciousness which is expected to result from certain arrangements, and which can be studied in relation to the state of consciousness called Happiness. Common speech has always insisted on the close connection between Freedom, in this sense, and Happiness or Pleasantness. A man feels "free" when he acts at his "pleasure." And those who agree with Tolstoy and Ibsen and Mr. Shaw that Freedom is a necessary condition, not only of Happiness but of Goodness, sometimes express that opinion in terms of "pleasure." When I was in America in 1910, a quarrel took place between Mr. Connors of the New York State Democratic organization and Mr. Charles Murphy of Tammany Hall. Mr. Connors issued a short *apologia pro vita sua* in the form of a newspaper interview. In the course of it he gave as the main justification for his claim to be a better citizen than Mr. Murphy: "I am just a natural man. . . . Murphy is a politician for profit, and I am a politician for pleasure; and I propose to have my fun out of it."

A man feels "free" when his acts and sayings and thoughts seem to him to be the expression of his most real and spontaneous motives. It is true that some men will never in that sense be "free," never enjoy what Mr. Connors calls their "pleasure," even though they are as completely released from external compulsion as a modern dividend receiver with three thousand a year and a motor car. They may remain the slaves of convention; their minds may be the "disused rabbit-warrens of other peoples' opinions and prejudices." Or they may be (as Mr. Connors accused Mr. Murphy of being) the slaves of money, unable to distinguish the getting of money for its own sake from the free activity to which money is only a means. Or they may be the slaves of animal passions which they feel not

to be their real selves. Other men, as the later Stoics were never tired of pointing out, may feel as "free" as Epictetus, even though they are in a state of economic slavery almost as complete as that of Epictetus. Marcus Aurelius would say that such men "follow nature," and Mr. Conners that they are "natural men."

But even if such Freedom is possible in every form of society, the actual organization of a society where Freedom is held to be all-important will be different from that of a society in which Freedom is held to be only one element among the conditions of Happiness. . . .

In applying Aristotle's formula of the Mean, we must, however, remember that Aristotle himself inevitably over-simplified it. He proposed with regard to each human disposition in each relation of life a single type of "mean" conduct which all men should aim at. He further taught that the single environment in which men could reach the Mean was that of the Greek city-state. To us, however, in our complex and changing world, there are, in the use of each of our dispositions, innumerable different Means adapted to different individuals and different circumstances. The differences between individuals may be due either to inheritance or training; either, as the Eugenists say, to "nature" or to "nurture." To every man as he is born the personal conditions of a happy life are different, and they are changed by everything that happens to him from without. Whatever his upbringing may be, the man of poetic genius will be unhappy as a manual laborer; and, whatever his natural tastes may have been, the trained student (however unhappy he may be as a student) will be also unhappy for years, if not for life, if he is made a manual laborer. If, indeed, a man's "nurture" has not corresponded to his "nature," the possibility of anything like complete Happiness may have been destroyed for him before he is thirty.

Already, therefore, throughout the Great Society, the organization of public education is being steadily, though slowly and insufficiently, turned, with the help of such psychological knowledge as is now available, to discover in time the special faculties of children, and to start them on that course of life for which they are best fitted. All social reformers are also aiming at such a manipulation of the taxation of accumulated wealth (through death-duties and the like), that no man shall be made extremely unhappy either by a sudden alteration of lifelong habit or by such initial poverty as shall prevent him from developing his powers. And meanwhile we are a little ashamed of the insistence, for instance, of the average sedentary journalist, that what is the Mean for him must be the Mean for every one else, and that a working man who finishes on Saturday at 1 p. m. a fifty hours' week of hard manual toil ought to play foot-

ball, instead of looking on at it, from 3 p. m. to 4:30 p. m. . . .

If we more often used Happiness instead of efficiency as our social criterion, it might be easier than it is now for specialized business men to realize, in this respect, the limitation of their ordinary fellow citizens. The English National Health Assurance Act of 1911 and the regulations founded upon it have resulted in the issue to the general public of a series of printed papers which a trained official working at full speed would master in a quarter of an hour, and the creation of a number of recurring duties to which he would give two or three minutes a week. But the mass of helpless irritation and suffering which these requirements have created in the untrained public is so large as to make it possible that the whole course of English political development may be diverted by it for a generation.

The National Insurance Act is only one instance of a danger which continually attends the present socialistic trend of the Great Society, and of which those who believe that that trend is both necessary and good must take careful heed. As long as the Great Society continues, even under the most carefully reformed conditions, and, still more, as long as we are engaged in the process of its reformation, we must submit to the Division of Labor; and the Division of Labor will involve, if it is to be effective, a certain degree of compulsion. That compulsion may be direct, as when we compel all parents to send their children to school, or all landlords to keep their houses in a sanitary condition, or all youths to serve in the army; or indirect, as when the Poor Law Guardians offer work to unemployed persons, or secondary schools offer education to qualified children, under stated conditions, or when an election or referendum is based on the assumption that every citizen will think and vote. In either case the man who draws up the necessary regulations is a trained and specialized enthusiast, a keen "educationist," or doctor, or military officer, or politician. They all believe that the efforts which they require, and which are so easy to themselves, will make those from whom they require them both better and happier. But all their requirements converge onto the unspecialized child or citizen to whom none of them are easy. A spread of the spirit of Economy in this respect, a common-sense which shall prevent each specialist from asking or obtaining more than his fair share of his neighbor's painful effort, is a very real necessity at our present stage of democratic evolution.

Yet the conceptions, both of the Mean and of Economy, necessary as they are for every Organization which regulates our relations to our neighbors, still leave something undescribed which we feel to be an essential condition of the good life. Aristotle, in one

of those conversational flashes which lie in wait for his readers on almost every page of the *Ethics*, says: "Virtue is rightly defined as a Mean, and yet in so far as it aims at the highest excellence, it is an Extreme." No social organization is, we feel, good which does not contain that element which Aristotle here calls the Extreme.

If I try to make for myself a visual picture of the social system which I should desire for England and America, there comes before me a recollection of those Norwegian towns and villages where every one, the shopkeepers and the artisans, the schoolmaster, the boy who drove the post-ponies, and the student daughter of the inn-keeper who took round the potatoes, seemed to respect themselves, to be capable of Happiness as well as of pleasure and excitement, because they were near the Mean in the employment of all their faculties. I can imagine such people learning to exploit the electric power from their waterfalls, and the minerals in their mountains, without dividing themselves into dehumanized employers or officials, and equally dehumanized "hands." But I recollect also that the very salt and savor of Norwegian life depends on the fact that poets, and artists, and statesmen have worked in Norway with a devotion which was not directed by any formula of moderation. When I talk to a New Zealander about the future of his country, and about the example which she is creating of a society based upon the avoidance both of destitution and superfluity, I sometimes feel that she may have still to learn that the Extreme as a personal ideal for those who are called by it is a necessary complement of the Mean in public policy.

*Helen Marot: Why Reform Is Futile **

If workmen petition employers or state legislatures for an eight-hour day, they may be deported or they may be jailed, but they are not hanged as they were thirty years ago in Chicago. Credit for this evidence of progress goes to the labor unions, as it should, but some generous recognition is also due those social reformers who have advocated state protection for wage workers, and government control of financial operations as efficient and ethical principles of statecraft. These reformers for many years have given unremitting energy, in and out of legislatures, to campaigns which they have hoped would eventually result in the adoption of a national policy of industrial reform by way of protective enactments. I speak of these reforms now because of the unexpected opportunity we have been given to estimate the power of labor legislation to bring about change in our industrial habits and national manners.

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Good people in the early days of the factory system were shocked by the long hours of labor and the long absences from home which factory operations required. Some time later practical men came to the rescue of the idealists as they pointed out that long hours of labor meant in the end the political and industrial inefficiency of the nation. Many years of reform campaign went by before the promoters were given a full hearing, because labor, in spite of the wear and tear of factory life continued its flow to the satisfaction of business demands, which are concerned with the immediate situation and not the future of a people. But suddenly the valiant hopes of the reformers achieved an apparent glory of realization. The occasion came as a surprise because the cause of it had less to do with the development of events within the reform movement than with the misfortunes of the Republican party. It was estimated by the recalcitrants of that party that the new party which they formed would stand its best chance of swinging into power if it adopted the labor legislative program of the reformers. Thousands of men and women with deep conviction as to the righteousness of their cause pledged the Progressive party their active support and gave it their vote.

The popularity of the measures for which this party stood is not to be judged by the failure of the party to carry the election or to weather a second presidential campaign. The test of the popular support must be estimated rather by the inability of the Democratic party to win any election if it rejected these measures. Furthermore, its leaders discovered later that their endorsement of state interference in industry and of privilege for the working man, opposed as these measures were to traditional policies of the party, was not to end with election promises or the writing of platform planks. The full irony of the situation appeared when the Democratic administration representing the party in power was compelled during the war period to put into actual practice those reform measures and to extend their application beyond the anticipation of their advocates.

It was clear beyond dispute that the successful operation of the war industries could not be left to employers, and that labor must be placated. This delicate task the government was forced to take over and to take over with the assistance of the reformers who had their policy of state interference fully evolved. So far as I can remember every demand which the reformers had made during the preceding decade was echoed in the reorganization and the extended activities of the Department of Labor, as well as in the other departments, war councils, and committees which were engaged in the production directly and indirectly of war materials. I do not say that the ideals

of the reformers were realized in any case, nor was there time for their full realization. My point is that all the measures which had been advocated were given official recognition, that labor reform administrators were appointed to deal with them, that an understanding was gained as to what the measures stood to accomplish. A system of federal employment exchanges was promoted, for which the reformers had for a long time contended, and the private agencies exterminated. A War Labor Board was created for the settlement of wage conditions by means of collective bargaining and arbitration. Special councils were organized to look after the special needs of women and young persons as well as the health and safety of all wage earners in the workshops. Provisions for the extension of sanitation to the homes of the workers were also made. There was added to the councils charged with the administration of the reform measures another council which was concerned with the formulation of a policy of government regulation and control of labor conditions. This wholesale extension of protection to labor was inaugurated for the purpose of war.

Three months have elapsed since the signing of the armistice, and while there is still a trace of these reform agencies and some pale evidence of their continued activity, it must have become clear to the reformers themselves that their method of social reorganization will not materially alter the operation of the laws of the national economy which we have set up and which we support. The sudden collapse of the policy inaugurated at Washington was almost as spectacular a performance as was the official recognition which was given it in 1912 and 1917. It is rumored that a revival of this war-time government machinery may be undertaken if unemployment and business stagnation lead to serious strikes and to business demands for increase of privilege and subsidy.

But machinery set up for war will not serve peace because the driving force of the war machinery, which was war patriotism, represents an actual horsepower which business animus, the driving force of industry in times of peace, fails to induce. As the war came to a close and the wartime patriotism lost its force, so did the mandatory influence of the War Labor Board. New wage boards may be created and special protection given business and labor "for the transition period," but what reason is there to believe that these can be developed as a national policy? or if they are, that they will change the relative position of capital and labor? The actual accomplishment in legislative regulation of the hours of women workers in the last decade is as follows: in ten states women may work seventy hours or more; in twenty-one states they may work anywhere from fifty-five hours to seventy; and in fifteen states from

fifty-five to forty-eight. In respect to the minimum wage there are twelve states out of the forty-eight which have given it their endorsement. But this lack of legislative accomplishment presents a less complete picture of the uphill character of the reform movement than the persistent difficulties with which the movement is beset in the way of enforcement.

And were it possible to overcome the difficulties of enactment and enforcement, labor would still have the bill to pay for the sick insurance it received, for its sanitary privileges, its increase in wages, and its decreased hours of work. An award in hours may be paid for in wages or the burden of an award in both hours and wages can be shifted through an increase in rents, food, or clothing, through labor-saving devices which result in the decrease in the wage rate or in the annual wage income. There is often an appearance of economic gain for labor when an award is made by a state legislature or by a union, but the net result is usually the avoidance of cost by vested interests without relative gain in labor's position.

The reformers, in their desire to put the industrial situation to rights, have undertaken to accomplish their end by the indirect road of political action. They have done this because it was the only road open to them, as they are not a part of industry and cannot function through it. If society were so organized that all the members of it were engaged in some productive occupation or creative work, the sole business of the government under these circumstances would be to open up every opportunity for all the members to function to the limit of their capacity. As the situation is now, the reform movement represents a policy of the unlimited extension of the government's police function; it represents a method of negation and indirection.

All economists, hard-thinking business men, and wage earners know that the roots of the labor legislative reform movement are too tender to penetrate beyond the surface of our political and industrial institutions. To put this familiar matter once more, quite simply it is this: while natural wealth is without approximate limit, the sources of wealth by the act of the state become the private possession of men who can show credit for a financial equivalent. This credit is given not to those who can show productive ability but to those who have already received credit. The manipulation of this wealth which represents control over industrial enterprise is carried on first and naturally in the interest of the manipulators, the people who have been given and can give credit. These creditors assume, as they say, "the stewardship" of all the national wealth which they receive, and by the law of the land it is theirs to do with as they please. The position of the reformers is anomalous as they invoke

this same law for labor concessions. It is extremely embarrassing for the state to recognize the invocation, as it places it virtually in the position of "Injun giver." The reformers are in the position of supplicants who come with claims to what has already been disposed of. They do not ask for a return of the common wealth to labor, on the ground that access to wealth should be free and control over production extended to those who can prove their ability to carry forward the undertaking. And why should they? Labor has shown no disposition to undertake it. This indisposition of labor is in part the *raison-d'être* of the reformer. It is the story of the people who do not attend to their own affairs and of the other people who make an attempt to do it for them. It is the experience of the ages that such attention meets with indifferent results.

It may be that the situation in which labor finds itself and which it is called upon to reshape, if it is to prove its capacity for self-government, is actually too difficult an environment for it to affect. This is the supposition of the reformers who argue that if labor had more leisure, say sixteen hours' absence from work, and a living wage, it would be in a position to affect its environment. The facts hardly bear out this argument. The present social environment seems entirely safe in the hands of the countless thousands of skilled mechanics, clerks, and superintendents, for instance, who live above the region of the financially submerged worker. These skilled mechanics, clerks, and superintendents who enjoy a greater purchasing power show no greater disposition as a class of people to alter their industrial status than does the class of workers who are economically the most helpless. Although the economic position of individuals is in a constant state of change, it has not been possible for them to overcome the conditions of the environment as they are fixed. The established industrial institution is successfully maintained with its definite status for the workers. And this state of affairs is bound to continue in spite of the interminable propaganda of reformers and the intellectual expositions of the economists, until the institution through some internal infirmity of its own gives way.

Santayana has said "the real difficulty in man's estate, the true danger to his vitality, lies not in want of work but in so colossal a disproportion between demand and opportunity that the ideal is stunned out of existence and perishes for want of hope. The life of reason is continually beaten back upon its animal sources, and nations are submerged in deluge after deluge of barbarism. . . . The ideal requires, then, that opportunities should be offered for realizing it through action, and that transition should be possible from a given state of things."

I think history goes to show that progress has been made, not

through any instinct or passion of a people for the abstraction of justice or democracy, but through the failure of the established institution to function. The truth of the matter seems to be that the social environment in which the mass of men have found themselves from time to time has been too difficult for them to affect except at those propitious moments when the conditions which have inhibited action have broken down of their own weight. These times in the nature of the case seem destined to appear for the reason that the social environment is a condition of interdependence of a people. As population changes or expands, as new relations evolve, interdependence and the fixed conditions of the old environment fail to meet the needs of the new. Never has the truth of this been so clearly demonstrated as now, because never has the interdependence of people been so widely extended.

Our present industrial infirmity is due to the failure of the institutional order to secure the coöperation of labor in the enterprise of wealth production. This failure is a sign that the interdependence of the productive factors has become a matter of consciousness. This has come about in part through the restlessness of the factors, through their increased movement and the interchange in the personnel of groups, but it is due primarily to the realization that the further promotion of industry is now actually dependent on an economy in the use of labor energy. The old scheme of business management cannot satisfy the need for the economy or omit the necessity of turning that restlessness into active coöperation. It cannot be met by the substitution this time of machines for men. It must be met by the men themselves. Industry has become too vast a burden, as it is being extended, for its promoters to carry it forward against the disinclination of the mass of people involved. The industrial order is passing through a crisis as it is faced with new world conditions. Even the financiers have some appreciation of the fact that the old habits and processes which have served them call for revision. Their production managers, expert in the industrial processes and the estimation of costs, have demonstrated that new methods of manufacture can be introduced which will effect a saving as great as that secured by the steam engine. The point in this discovery which is pertinent for all who are interested in industrial reorganization is that it proposes not a substitution of some other energy for human energy but a new distribution of the energy of labor. This new distribution can show not only an increase in output and a decrease in cost but a greater reduction in working hours than either reformers or trade unionists in their modesty or consideration here thought fit to demand. This discovery involves no capital investment or extra

financial credit. It is entirely possible for labor in its organized capacity to make it its own. It is possible for organized labor to agree to deliver the greater output which results from its own saving in workshop energy, and stipulate that on delivery its own saving of its own energy shall not be appropriated by others.

The recognition of the need of labor's coöperation in the new methods of industrial economy introduces the condition which makes possible the workers' assumption of responsibility for the promotion of wealth. The recognition indeed creates an environment which it is possible for labor to affect. Here we have the conditions of the new industrial psychology brought about by fundamental requirements in the social economy. The realization of these conditions will provide an environment in which industrial democracy will have opportunity to develop.

While the reformers' program is without economic sanction according to the laws of our industrial institution as that is now run; while it is without important material results for the workers; while it tends to convert the government into a police organization; while it contributes nothing constructive to the actual business of wealth production; it has served a beneficial purpose as it has prevented upholders of our institutions from sinking into a hopeless state of smug satisfaction. It has induced a certain amount of the restlessness, much explanation and examination of industrial practice. More than this, while the reform movement represents a large expenditure of energy for small returns, waste activity is an inevitable condition of growth. The trial and error experience prevails even where reason and creative effort have had a chance.

Robert F. Howie: Trade Unionism in the United States * (p. 372)

The fault of reformers is not that they act, but that they act blindly and act *only*, that they do not see the whole of the social situation back of the particular incident, that they do not try to grasp this whole in the intervals, or try to formulate principles of action from them. Being simply spasmodic and particularistic, regarding each struggle as a case by itself, they do not make any general advance. The trouble with most people who make proposals in the labor field is that they do not understand the broad features and forces with which they have to deal. They do not know, therefore, what ought to be done, and if they find anything that apparently ought to be done, they naively assume that because it *ought* to be done, it *can* be done. If men in society were mere pawns to be

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moved about the board and if their only good was their immediate material betterment, and if reformers were omniscient and had the power of God, this would be all right. But none of these things are true. Men have their own ideas as to what is good for them and how to secure it. And in a democracy you cannot give men what is for their good except by their consent and by moving them to go out and get it. Trade unionism is a self-help institution. The trade unionists want, not charity, not patronage, but justice. He prefers to get that by his own efforts. He does not want patronage, however good its objective results. He has no sympathy with the people or forces which would reach down to help him from above. To know what ought to be done for the worker, we must know the men themselves, their ideas, ideals, purposes, and ways of looking at things; the relationships that actually exist among them and how they view these relationships and why.

. . . Our labor laws are built up haphazard, due to emotionalism after some disaster or revelation; they are a heterogeneous and frequently contradictory mass. Minutely specific and therefore inelastic and inadaptable, they are therefore often unenforceable, and often, if enforced, unjust to employers and harmful to the workers. They show no provision, no program, no consistency in the same state or as between states. . . .

We must have means for developing a body of exact and truthful information, developing common standards of right and justice (maxima and minima or rules of the game) developing a real public opinion back of them, developing a constructive social program, getting centralized, strong, able, elastic administration and enforcement of laws, with a view to the whole situation; getting and applying knowledge and standards to control, and in the settlement of contests, creating to this end social interaction. This understanding and knowledge can be secured only by the closest first-hand study in the field. It is all a matter of doing the work in a calm, orderly, large-minded, and far-sighted, constructive and scientific manner.

*Herbert Croly: The Promise of American Life**
(pp. 142-152)

It is in a sense a misnomer to write of "Reform" as a single thing. Reform is, as a matter of fact, all sorts of things. The name has been applied to a number of separate political agitations, which have been started by different people at different times in different parts of the country, and these separate movements have

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secured very different kinds of support, and have run very different courses. Tariff reform, for instance, was an early and popular agitation whose peculiarity has consisted in securing the support of one of the two national parties, but which in spite of that support has so far made little substantial progress. Civil service reform, on the other hand, was the first agitation looking in the direction of political purification.* The early reformers believed that the eradication of the spoils system would deal a deadly blow at political corruption and professional politics. But although they have been fairly successful in establishing the "merit" system in the various public offices, the results of the reform have not equalled the promises of its advocates. While it is still an important part of the program of reform from the point of view of many reformers, it has recently been overshadowed by other issues. It does not provoke either as much interest as it did or as much opposition. Municipal reform has, of course, almost as many centers of agitation as there are centers of corruption—that is, large municipalities in the United States. It began as a series of local non-partisan movements for the enforcement of the laws, the dispossession of the "rascals," and the business-like, efficient administration of municipal affairs; but the reformers discovered in many cases that municipal corruption could not be eradicated without the reform of state politics, and without some drastic purging of the local public service corporations. They have consequently in many cases enlarged the area of their agitation; but in so doing they have become divided among themselves, and their agitation has usually lost its non-partisan character. Finally, the agitation against the trusts has developed a confused hodge-podge of harmless and deadly, overlapping and mutually exclusive, remedies, which are the cause of endless disagreements. Of course they are all for the People and against the Octopus, but beyond this precise and comprehensive statement of the issue, the reformers have endlessly different views about the nature of the disease and the severity of the necessary remedy. . . .

Reformers have failed for the most part to reach a correct diagnosis of existing political and economic abuses, because they are almost as much the victim of perverted, confused, and routine habits of political thought as is the ordinary politician. They have eschewed the tradition of partisan conformity in reference to controverted political questions, but they have not eschewed a still more insidious tradition of conformity—the tradition that a patriotic American citizen must not in his political thinking go beyond the formulas consecrated in the sacred American writings. They adhere to the stupefying rule that the good Fathers of the Republic relieved their children from the necessity of vigorous, independent,

or consistent thinking in political matters—that it is the duty of their loyal children to repeat the sacred words and then await a miraculous consummation of individual and social prosperity. Accordingly, all the leading reformers begin by piously reiterating certain phrases about equal rights for all and special privileges for none, and of government of the people, by the people, and for the people. Having in this way proved their fundamental political orthodoxy, they proceed to interpret the phrases according to their personal, class, local, and partisan preconceptions and interests. They have never stopped to inquire whether the principle of equal rights in its actual embodiment in American institutional and political practice has not been partly responsible for some of the existing abuses, whether it is either a safe or a sufficient platform for a reforming movement, and whether its continued proclamation as the fundamental political principle of a democracy will help or hinder the higher democratic consummation. Their unquestioning orthodoxy in this respect has made them faithless both to their own personal interest as reformers and to the cause of reform. Reform exclusively as a moral protest and awakening is condemned to sterility. Reformers exclusively as moral protestants and purifiers are condemned to misdirected effort, to an illiberal puritanism, and to personal self-stultification. Reform must necessarily mean an intellectual as well as a moral challenge; and its higher purposes will never be accomplished unless it is accompanied by a masterful and jubilant intellectual awakening.

All Americans, whether they are professed politicians or reformers, “predatory” millionaires or common people, political philosophers or school boys, accept the principle of “equal rights for all and special privileges for none” as the absolutely sufficient rule of an American democratic political system. The platforms of both parties testify on its behalf. Corporation lawyers and their clients appear frequently to believe in it. Tammany offers tribute to it during every local political campaign in New York. A Democratic Senator, in the intervals between his votes for increased duties on the products of his state, declares it to be the summary of all political wisdom. The fact that Mr. Bryan incorporates it in most of his speeches does not prevent Mr. Hearst from keeping it standing in type for the purpose of showing how very American the *American* can be. The fact that Mr. Hearst has appropriated it with the American flag as belonging peculiarly to himself has not prevented Mr. Roosevelt from explaining the whole of his policy of reform as at bottom an attempt to restore a “Square Deal”—that is, a condition of equal rights and nonexistent privileges. More radical reformers find the same principle equally useful for their own pur-

poses. Mr. Frederick C. Howe, in his "Hope of Democracy," bases an elaborate scheme of municipal socialism exclusively upon it. Mr. William Smythe, in his "Constructive Democracy," finds warrant in the same principle for the immediate purchase by the central government of the railway and "trust" franchises. Mr. Henry George, Jr., in his "Menace of Privilege," asserts that the plain American citizen can never enjoy equality of rights as long as land, mines, railroad rights of way and terminals, and the like remain in the hands of private owners. The collectivist socialists are no less certain that the institution of private property necessarily gives some men an unjust advantage over others. There is no extreme of radicalism or conservatism, of individualism or socialism, of Republicanism or Democracy, which does not rest its argument on this one consummate principle.

Harold Stearns: Neglected Causes of Fatigue *
(p. 348)

One clear lesson then emerges. That lesson is that from the point of view of industrial efficiency, the basic essentials of the worker's health and interest are just so many preliminaries to the chief problems. When these are won there remain other as essential, if not more essential, secondary factors—subtler and to a certain degree incalculable. If they exercised only a controlling influence over the individual worker's happiness, one might dismiss them as so much sentimental irrelevance. But they have a direct and important effect on production itself. They have the social importance of factors which give a steady hastening or slackening to the creation of wealth. They emerge from that more indirect yet all-pervasive economic and social background which makes up the whole drift of the worker's interest and energy. In a word, they cluster around the reality expressed by a phrase which has usually been but the sterile lip-worship of reactionaries, the dignity of labor. Even with an eight-hour day and a reasonable human sense of accomplishment in the work itself, even with the pride of craftsmanship, positive physiological fatigue will result from the pressure of outside considerations. Scientific management in a shop or factory may eliminate every waste movement and calculate to a nicety the necessary period for recuperation needed by the human body, yet never examine the ultimately determining factors making for efficiency. What are some of these factors?

First of all is the hostility of labor to scientific management it-

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self. In spite of repeated warnings, scientific managers persist in the Taylor tradition. Content with a discredited economic theory of the perfect adjustment of wages from a free interplay of supply and demand, they continue to regard workers as mere factors in production, precisely as one would regard lubricating oil. "The problem of scientific industrial management, dealing as it must with the human machine, is fundamentally a problem in industrial fatigue," says one of Sir George Newman's reports. Now it is not the truth or falsity of such a generalization which arouses labor's hostility, it is the tone; and only the stress of war prevents the expression by English trade unionism of sharp disagreement. Furthermore, scientific management is always to be imposed from the top and controlled from the top. Scientific managers fail to see any importance in workers being members of the state, with the duties and privileges due them as citizens. It is forgotten that we are all common members in an organized body that is supposed to include, on an equal level, both the workers and those who are so solicitous of their reaching the highest point of efficiency consistent with health. "Collective bargaining" is a phrase still to cause the lifting of eyebrows. Yet only democratic control of scientific management will in the long-run sense make it successful. Without the leavening of self-respect which comes from a sense of coöperation, labor's instinctive prejudices will be focused and its unreasonable hostilities intensified. Even the narrowest of employers who thought only of getting the most from his tactical economic position might consider whether or not this kind of vague, ill-defined but all-enshrouding antagonism conduces to efficiency. The temper of latent hostility is hardly the temper of rapid production. To discover some working agreement between democracy and science is not easy, but this English experience sharply reveals to us that we cannot afford to flinch before the problem just because it is difficult.

Another incalculable factor of inefficiency has been a similar hostility of labor towards science in general. Traditionally, science has meant machines, and machines have meant a kind of competition which has always resulted in the ultimate defeat of the worker—unemployment. Science has meant something dehumanized, impersonal and cruel, a blind force indifferent to human wishes or desires, something to be fought in the dark. Sabotage and "ca-canny" have not always sprung from a sharply formulated theory about exploitation. They have sprung from some deep human protective instinct against the encroachments of an overshadowing, devitalized method of production. Yet it is probably true, as Miss Goldmark believes, that this feeling is mere sentiment which will disappear with education. The nub is economic. "It has happened," runs a frank

passage in one of Sir George Newman's reports, "that, rightly or wrongly, a suspicion has grown up among workers that any device for increasing output will be used for the profit of the employer rather than for the increased health or comfort of the workers." Of course we are thrown back to a survey of the whole complex problem of the distribution of wealth, and it is worth observing that mere bonuses for invention are a very superficial approach. The relevancy of large-scale agitation and ambitious reform to actual physiological fatigue is clear.

But perhaps the greatest factor making directly for fatigue and lassitude is the sense of economic insecurity. Here, too, we learn from the English munition workers who were proud in their knowledge that what they did was precious, and that no reasonable effort would, in all human probability, result in irresponsible discharge. That was a fine lever of efficiency. For nothing is so terrible as the feeling of the mere fortuitousness of employment, the consciousness that general industrial conditions—especially those in the seasonal trades—inevitably produce periods of slackness and consequent failure to get a job. Even the shortest of working days will not stimulate the worker to efficient production when this haunting fear is on him. He is inwardly distressed and worried. Attention will wander; accidents will take place for no apparent reason; there will be fumbling and muddle. Nor, to a sensitive man, is there anything more rasping than to be told by all the powers of convention and church and press that thrift and industry invariably result in financial security and success, when he knows the bitter chance quality of all employment. Perhaps the most neglected of the humanizing functions of the trade union has been just this making articulate of common grievances. And the impatience of labor at social insurance bespeaks a commendable spirit. Labor when it becomes self-conscious prefers to look after itself. It hates charity as it does the devil. Here once more we can see the value of arousing a vivid interest in citizenship. Because as soon as it is recognized that the stabilizing of employment is as much a social matter as the proper control of public utilities, these reforms become the legitimate concern of all citizens of the state. In England they feel that to-day; in time, if being an American is ever to mean having an economic stake in America, even the objections of Mr. Gompers will vanish. It is a tragic paradox that the loyalties of workers to the aids and realities of their own organizations and class have no counterpart in their loyalty to that vague and sentimental entity called the country. Until that has been rectified we shall pay a heavy price in industrial inefficiency for the privilege of "hard times" and their inevitable employment insecurity.

A final factor of inefficiency centers around what Graham Wallas might call the disorganization of happiness, the lack of any direct relation between work and enjoyment. Happiness, to the average low-paid worker, means a transient snatch of the unattainable. When some of the girls in the New York Dress and Waist-Makers' Union built their own vacation camp in the Adirondacks from funds from the organization, their labor took on a new dignity and meaning. They became "like other people"; false class barriers disappeared. The increased impulse towards efficiency would have astonished the scientific manager to whom restful lunch rooms and perhaps a cup of hot tea in the afternoon are the extremes of far-sightedness. But the vagueness of this factor of inefficiency cannot mitigate its importance. What is called "social welfare" work in shops often defeats its own ends. It is resented as patronizing. Like the control of scientific management, the organization of happiness must be from within. There must be established some integral relation between the zest and drudgery of industrialism.

Surveyed singly, these are factors which seem almost obvious. Yet it is exactly the obvious that is most in danger of being forgotten. Investigators of the intricacies of modern production are usually classic instances of those who cannot see the forest because of the trees. We may be forced to conclude that a certain degree of machine monotony in twentieth century civilization is inevitable. Although its dreariest extremes are being proved unprofitable, specialization seems to have come to stay. The job as a task will probably never be wholly supplanted by the job as an æsthetic delight, for all our straining and effort. Even when our fight for the essential decencies of life has been won, there will remain an irreducible minimum of staleness and fatigue. And here emerges the double advantage of generous help and encouragement for removing these more general factors of inefficiency, commensurate with their importance. In an atmosphere free of hostility and resentment, the most rigid of hard labor is set in a new environment. There is a whole new accent and approach. The detailed, scientific student is justified by the wider theorist; the genius of the generalizer and statesman is made more fertile by the results of the careful experimentalist. Both types of liberal can then together erect a new stage setting for the eternal drama of labor.

2. SYNDICALISM

Louis Levine: Syndicalism in France * (pp. 123-140, 218-222)

When the General Confederation of Labor adopted its new constitution in 1902 the main ideas of revolutionary syndicalism had already been clearly formulated. Since then, however, a considerable amount of literature has appeared on the subject, either clarifying, or further developing various points of the doctrine. This literature consists mainly of numerous articles in the periodical press and of pamphlets and is accordingly of an unsystematic character. The attempt is made in this chapter to sum up in a systematic way the leading ideas of revolutionary syndicalism common to all who call themselves revolutionary syndicalists. Consideration of individual ideas and of contributions of particular writers will be left to a following chapter.

The fundamental idea of revolutionary syndicalism is the idea of class-struggle. Society is divided into two classes, the class of employers who possess the instruments of production and the class of workingmen who own nothing but their labor-power and who live by selling it.

Between the two classes an incessant struggle is going on. This struggle is a fact, not a theory in need of proof. It is a fact manifested every day in the relations between employers and wage-earners, a fact inherent in the economic organization of existing society.

The class-struggle is not a fact to be deplored; on the contrary, it should be hailed as the creative force in society, as the force which is working for the emancipation of the working class. It is the class-struggle which is consolidating the workingmen into a compact unity opposed to the exploitation and domination of employers. It is the class-struggle which is evolving new ideas of right (*droit*) in opposition to the existing law. It is the class-struggle which is developing the self-consciousness, the will-power and the moral character of the workingmen and is creating forms of organization

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proper to them. In a word, it is the class-struggle which is forging the material and moral means of emancipation for the workingmen and putting these weapons into their hands.

The task of the syndicalists is to organize the more or less vague class-feeling of the workingmen and to raise it to the clear consciousness of class-interests and of class-ideals. This aim can be attained only by reorganizing the workingmen into syndicates. The syndicate is an association of workingmen of the same or of similar trades. It is a grouping held together by bonds of common interest, and in this is its strength. Of all human groupings it is the most fundamental and the most permanent, because men in society are interested above everything else in the satisfaction of their economic needs.

The strength, permanence, and class-character of economic groups are made prominent by comparison with forms of grouping based on other principles. A political party, a group of idealists, a community professing a common creed, these are associations which cannot but be weak and transient in view of their heterogeneous composition and of the accidental character of their bond of union. Political bodies, for instance, are made up of men of various interests grouped only by community of ideas. Even the Socialist party consists of manufacturers, financiers, doctors, lawyers as well as of workingmen, and cannot, therefore, make prominent the class-division of society. On the contrary, it tends to merge all classes into one conglomeration, and is, therefore, unstable and incapable of persistent collective action. Only in groupings of real and fundamental interests such as the syndicates, are men of the same conditions brought together for purposes inextricably bound up with life.

The syndicate groups men of one and the same trade in their capacity of workingmen only, regardless of any other qualifications. The workingmen entering a syndicate may be Catholics or Protestants, Republicans, Socialists, or Monarchists; they may be of any color, race, or nationality; in their capacity of workingmen they are all equally welcome and legitimate members of the syndicate. A workingman enrolling in a syndicate is not entering a party, not subscribing to a platform, nor accepting a creed. He is simply entering into a relation which is forced upon him by his very position in society, and is grouping himself with his fellowmen in such a way as to derive more strength for himself in the struggle for existence contributing at the same time to the strength of his fellowmen.

These conditions make the syndicate peculiarly fit to serve the interests of the workingmen. The syndicate is a sphere of influence which by the volume of its suggestion and by the constancy and

intensity of its action shapes the feelings and ideas of the workingmen after a certain pattern. In the syndicat the workingmen forget the things which divide them and are intent upon that which unites them. In the syndicat the workingmen meet to consider common interests, to discuss their identical situation, to plan together for defense and aggression, and in all ways are made to feel their group-solidarity and their antagonism to the class of employers.

In view of this the syndicates should prefer industrial unionism to craft unionism. The separation of workingmen into trades is apt to develop in them a corporate spirit which is not in harmony with the class idea. The industrial union, on the contrary, widens the mental horizon of the workingman and his range of solidarity with his fellow workingmen and thus serves better to strengthen his class consciousness.

The syndicat is the instrument with which the workingman can enter into a "direct" struggle with employers. "Direct action" is what the syndicalists most insist upon, as the only means of educating the workingmen and of preparing them for the final act of emancipation. "Direct action" is action by the workingmen themselves, without the help of intermediaries; it is not necessarily violent action, though it may assume violent forms; it is the manifestation of the consciousness and of the will of the workingmen themselves, without the intervention of an external agent: it consists in pressure exerted directly by those interested for the sake of obtaining the ends in view.

"Direct action" may assume various forms, but the principal ones in the struggle against employers are: the strike, the boycott, the label, and *sabotage*.

The strike, in the view of the syndicalist, is the manifestation of the class-struggle *par excellence*. The strike brings the workingmen face to face with the employers in a clash of interests. A strike clears up, as if by a flash of lightning, the deep antagonism which exists between those who employ and those who work for employers. It further deepens the chasm between them, consolidating the employers on the one hand, and the workingmen on the other, over against one another. It is, thus, a revolutionary fact of great value.

All strikes, partial, general in a locality, or general in some one trade, have this revolutionary influence, particularly when they are conducted in a certain way. If the workingmen rely only on their treasury, the strike degenerates into a mere contest between two money bags—that of the employer and that of the syndicat—and loses much of its value. Still more are the syndicalists opposed to

methods of conciliation and of arbitration. The idea of the revolutionary syndicalists is that a strike should be won by *Sturm und Drang*, by quick and energetic pressure on employers. The financial strength of workingmen when striking should not be considered. Money may be supplied by contributions of workingmen of other trades and localities, in itself another means of developing the solidarity of the working class. Sometimes a strike may be won by calling out sympathetic strikes in other trades.

Strikes conducted in this manner yield practical results and serve also as means of educating the workingmen. They reveal to the workingmen their power, as producers, and their importance in the productive system of society. The label, on the other hand, is a means of bringing home to the workingmen their importance as consumers, and of making them wield this power for their own benefit.

The boycott reveals the power of the workingmen, either as producers or as consumers. It may be wielded against an employer whose shop is avoided, or against a firm in its capacity as seller. It is an effective means of forcing employers to come to terms.

Sabotage consists in obstructing in all possible ways the regular process of production, to the dismay and disadvantage of the employer. . . .

Such are the "direct" methods of struggle against employers. But the revolutionary syndicalists have another enemy, the State, and the struggle against the latter is another aspect of "direct action."

The State appears to the syndicalists as the political organization of the capitalist class. Whether monarchist, constitutional, or republican, it is one in character, an organization whose function it is to uphold and to protect the privileges of the property owners against the demands of the working class. The workingmen are, therefore, necessarily forced to hurl themselves against the State in their efforts toward emancipation, and they cannot succeed until they have broken the power of the State.

The struggle against the State, like the struggle against the employers, must be carried on directly by the workingmen themselves. This excludes the participation of the syndicates in politics, and in electoral campaigning. The parliamentary system is a system of representation opposed in principle to "direct action" and serves the interests of the bourgeoisie, for the management of which it is particularly suited. The workingmen, on the contrary, can derive no benefit from it. The parliamentary system breeds petty, self-seeking politicians, corrupts the better elements that enter into it and is a source of intrigues and of "wire-pulling." The so-called

representatives of the workingmen do not and cannot avoid the contagious influence of parliament. Their policy degenerates into bargaining, compromising, and collaboration with the bourgeois political parties and weakens the class-struggle.

The syndicates, therefore, if not hostile, must remain at least indifferent to parliamentary methods and independent of political parties. They must, however, untiringly pursue their direct struggle against the State. The direct method of forcing the State to yield to the demands of the workingmen consists in exerting external pressure on the public authorities. Agitation in the press, public meetings, manifestations, demonstrations and the like, are the only effective means of making the government reckon with the will of the working class.

By direct pressure on the government the workingmen may obtain reforms of immediate value to themselves. Only such reforms, gained and upheld by force, are real. All other reforms are but a dead letter and a means of deceiving the workingmen.

The democratic State talks much about social reforms, labor legislation and the like. In fact, however, all labor laws that are of real importance have been passed only under the pressure of the workingmen. Those which owe their existence to democratic legislators alone are devised to weaken the revolutionary strength of the working class. Among such laws are those on conciliation and arbitration. All democratic governments are anxious to have Boards of Conciliation and of Arbitration, in order to check strikes which are the main force of the working class. Workingmen must be opposed to these reforms, which are intended to further the harmony and collaboration of classes, because the ideology of class-harmony is one of the most dangerous snares which are set for the workingmen in a democratic State.* This ideology blinds the workingmen to the real facts of inequality and of class-distinctions which are the very foundations of existing society. It allures them into hopes which cannot be fulfilled and leads them astray from the only path of emancipation which is the struggle of classes.

Another idea which is used by the democratic State for the same purpose is the idea of patriotism. "Our country," "our nation," are mottoes inculcated into the mind of the workingman from his very childhood. But these words have no meaning for the workingman. The workingman's country is where he finds work. In search of work he leaves his native land and wanders from place to place. He has no fatherland (*patrie*) in any real meaning of the term. Ties of tradition, of a common intellectual

*The fundamental principle of democracy is that all citizens are equal before the law and that there are no classes in the state

and moral heritage do not exist for him. In his experience as workingman he finds that there is but one real tie, the tie of economic interest which binds him to all the workingmen of the world, and separates him at the same time from all the capitalists of the world. The international solidarity of the workingmen and their anti-patriotism are, therefore, necessary consequences of the class struggle.

The democratic State, like any other State, does not rely upon ideological methods alone in keeping down the workingmen. It has recourse to brute force as well. The judiciary, the administrative machinery, and especially the army, are used as means of defeating the movements of the working class. The army is particularly effective as a means of breaking strikes, of crushing the spirit of independence in the workingmen, and as a means of keeping up the spirit of militarism. An anti-militaristic propaganda is therefore one of the most important forms of struggle against the State, as well as against capitalism.

Anti-militarism consists in carrying on in the army a propaganda of syndicalist ideas. The soldiers are reminded that they are workingmen in uniforms, who will one day return to their homes and shops, and who should not, therefore, forget the solidarity which binds them to their fellow workingmen in blouses. The soldiers are called upon not to use their arms in strikes, and in case of a declaration of war to refuse to take up arms. The syndicalists threaten in case of war to declare a general strike. They are ardent apostles of international peace which is indispensable, in their opinion, to the success of their movement.

By "direct action" against employers and the State the workingmen may wrest from the ruling classes reforms which may improve their condition more or less. Such reforms cannot pacify the working class, because they do not alter the fundamental conditions of the wage system, but they are conducive to the fortification of the working class and to its preparation for the final struggle. Every successful strike, every effective boycott, every manifestation of the workingmen's will and power is one more blow directed against the existing order; every gain in wages, every shortening of hours of work, every improvement in the general conditions of employment is one more position of importance occupied on the march to the decisive battle, the general strike, which will be the final act of emancipation.

The general strike—the supreme act of the class war—will abolish the classes and will establish new forms of society. The general strike must not be regarded as a *deus ex machina* which will suddenly appear to solve all difficulties, but as the logical outcome of

the syndicalist movement, as the act that is being gradually prepared by the events of every day. However remote it may appear, it is not a Utopia and its possibility cannot be refuted on the ground that general strikes have failed in the past and may continue to fail in the future. The failures of to-day are building the success of to-morrow. And in time the hour of the successful general strike will come.

What are the forms of the social organization which will take the place of those now in existence? The Congress of Lyons (1901) had expressed the wish to have this question on the program of the next Congress. In order that the answer to this question should reflect the ideas prevalent among the workingmen, the Confederal Committee submitted the question to the syndicates for study. A questionnaire was sent out containing the following questions:

(1) How would your syndicate act in order to transform itself from a group for combat into a group for production?

(2) How would you act in order to take possession of the machinery pertaining to your industry?

(3) How do you conceive the functions of the organized shops and factories in the future?

(4) If your syndicate is a group within the system of highways, of transportation of products or of passengers, of distribution, etc., how do you conceive its functioning?

(5) What will be your relations to your federation of trade or of industry after your reorganization?

(6) On what principle would the distribution of products take place and how would the productive groups procure the raw material for themselves?

(7) What part would the *Bourses du Travail* play in the transformed society, and what would be their task with reference to the statistics and to the distribution of products?

At the Congress of Montpellier, in 1902, a number of reports were presented answering the above questions. The reports were in the name of the syndicates and came from different parts of France. Only a limited number of them were printed as appendices to the general report of the Congress. Among them, it may be interesting to note, was the report of the syndicate of agricultural laborers. The rest were summed up in the official organ of the Confederation, *La Voix du Peuple*.

The reports differed in details. Some emphasized one point more than another and *vice versa*. But the general character of the reports was identical and showed a consensus of opinion on the main outlines of that "economic federalism" which is the ideal of the syndicalists.

According to this ideal, the syndicat will constitute the cell of society. It will group the producers of one and the same trade who will control their means of production. Property, however, will be "social" or collective, and no one syndicat will be the exclusive owner of any portion of the collective property. It will merely use it with the consent of the entire society.

The syndicat will be connected with the rest of society through its relations with the Federation of its trade, the *Bourse du Travail*, and the General Confederation. With the National Federation relations will be mainly technical and special, and the rôle of the Federation will be insignificant. With the General Confederation relations will be indirect and mainly by mediation of the *Bourse du Travail*. Relations with the latter will be of permanent importance, as the *Bourses du Travail* will be the centers of economic activity.

The *Bourse du Travail*—in the ideal system of the syndicalists—will concentrate all local interests and serve as a connecting link between a locality and the rest of the world. In its capacity as local center it will collect all statistical data necessary for the regular flow of economic life. It will keep itself informed on the necessities of the locality and on its resources, and will provide for the proper distribution of products; as intermediary between the locality and the rest of the country it will facilitate the exchange of products between locality and locality and will provide for the introduction of raw materials from outside.

In a word, the Bourse will combine in its organization the character both of local and of industrial autonomy. It will destroy the centralized political system of the present State and will counterbalance the centralizing tendencies of industry.

To the General Confederation will be left only services of national importance—railways, for instance. However, even in the management of the national public utilities the National Federation and the Bourses will have the first word. The function of the General Confederation will consist mainly in furnishing general information and in exerting a controlling influence. The General Confederation will also serve as intermediary in international relations.

In this social system the State as now constituted has no place. Of course, one may call the ideal system of the syndicalists a State. All depends on the definition given to the term. But when the syndicalists speak of the State, they mean an organization of society in which a delegated minority centralizes in its hands the power of legislation on all matters. This power may be broken up and divided among a number of governing bodies, as in the federal system of the United States, but it does not thereby change its character. The essential characteristic of the State is to impose its rule

from without. The legislative assemblies of the present State decide upon questions that are entirely foreign to them, with which they have no real connection in life and which they, therefore, do not understand. The rules they prescribe, the discipline they impose, come as an external agency to intervene in the processes of social life. The State is, therefore, arbitrary and oppressive in its very nature.

To this State-action the syndicalists oppose a discipline coming *from within*, a rule suggested by the processes of collective life itself, and imposed by those whose function it is to carry on those processes. It is, as it were, a specialization of function carried over into the domain of public life and made dependent upon industrial specialization. No one should legislate on matters unless he has the necessary training. The syndicats, the delegates of the syndicats to the *Bourses du Travail*, and so on, only they can properly deal with their respective problems. The rules they would impose would follow from a knowledge of the conditions of their social functions and would be, so to speak, a "natural" discipline made inevitable by the conditions themselves. Besides, many of the functions of the existing State would be abolished as unnecessary in a society based on common ownership, on cooperative work, and on collective solidarity. The necessary functions of local administration would be carried on by the *Bourses du Travail*.

In recent years, however, revolutionary syndicalists have not expatiated upon the forms of the future society. Convinced that the social transformation is inevitable, they have not thought it necessary to have any ready-made model upon the lines of which the social organization of the future should be carved. The revolutionary classes of the past had no idea of the new social system they were struggling for, and no ready-made plan is necessary for the working-class. Prepared by all the preliminary struggle, the workingmen will find in themselves, when the time comes, sufficient creative power to remake society. The lines of the future, however, are indicated in a general way by the development of the present, and the syndicalist movement is clearly paving the way for an "economic federalism."

The workingmen are being prepared for their future rôle by the experiences of syndicalist life. The very struggle which the syndicats carry on train the workingmen in solidarity, in voluntary discipline, in power and in determination to resist oppression, and in other moral qualities which group life requires. Moreover, the syndicats, particularly the *Bourses du Travail*, are centers where educational activities are carried on. Related to the facts of life and to the concrete problems of the day, this educational work, in

the form of regular courses, lectures, readings, etc., is devised to develop the intellectual capacities of the workingmen.

The struggle of the present and the combat of the future imply the initiative, the example and the leadership of a conscious and energetic minority ardently devoted to the interests of its class. The experience of the labor movement has proven this beyond all doubt. The mass of workingmen, like every large mass, is inert. It needs an impelling force to set it into motion and to put to work its tremendous potential energy. Every strike, every labor demonstration, every movement of the working class is generally started by an active and daring minority which voices the sentiments of the class to which it belongs.

The conscious minority, however, can act only by carrying with it the mass, and by making the latter participate directly in the struggle. The action of the conscious minority is, therefore, just the opposite of the action of parliamentary representatives. The latter are bent on doing everything themselves, on controlling absolutely the affairs of the country; they are anxious, therefore, to keep the masses as quiet, as inactive and as submissive as possible. The conscious minority, on the contrary, is simply the advance guard of its class; it cannot succeed, unless backed by the solid forces of the masses; the awareness, the readiness and the energy of the latter are indispensable conditions of success and must be kept up by all means.

The idea of the "conscious minority" is opposed to the democratic principle. Democracy is based upon majority rule, and its method of determining the general will is universal suffrage. But experience has shown that the "general will" is a fiction and that majority rule really becomes the domination of a minority—which can impose itself upon all and exploit the majority in its own interests. This is inevitably so, because universal suffrage is a clumsy, mechanical device which brings together a number of disconnected units and makes them act without proper understanding of the thing they are about. The effect of political majorities when they do make themselves felt is to hinder advance and to suppress the progressive, active and more developed minorities.

The practice of the labor movement is necessarily the reverse of this. The syndicates do not arise out of universal suffrage and are not the representatives of the majority in the democratic sense of the term. They group but a minority of all workingmen and can hardly expect ever to embrace the totality or even the majority of the latter.

The syndicates arise through a process of selection. The more sensitive, the intellectually more able, the more active workingmen

come together and constitute themselves a syndicat. They begin to discuss the affairs of their trade. When determined to obtain its demands, the syndicat enters into a struggle, without at first finding out the "general will." It assumes leadership and expects to be followed, because it is convinced that it expresses the feelings of all. The syndicat constitutes the leading conscious minority.

The syndicat obtains better conditions not for its members alone, but for all the members of the trade and often for all the workingmen of a locality or of the country. This justifies its self-assumed leadership, because it is not struggling for selfish ends, but for the interests of all. Besides, the syndicat is not a medieval guild and is open to all. If the general mass of workingmen do not enter the syndicates, they themselves renounce the right of determining conditions for the latter. Benefiting by the struggles of the minority, they cannot but submit to its initiative and leadership.

The syndicat, therefore, is not to be compared with "cliques," "rings," "political machines," and the like. The syndicat, it must be remembered, is a group of individuals belonging to the same trade. By this very economic situation the members of a syndicat are bound by ties of common interest with the rest of their fellow-workingmen. A sense of solidarity and an altruistic feeling of devotion to community interests must necessarily arise in the syndicat which is placed in the front ranks of the struggling workingmen. The leadership of the syndicalist minority, therefore, is necessarily disinterested and beneficent and is followed voluntarily by the workingmen.

Thus, grouping the active and conscious minority, the syndicates lead the workingmen as a class in the struggle for final emancipation. Gradually undermining the foundations of existing society, they are developing within the framework of the old the elements of a new society, and when this process shall have sufficiently advanced, the workingmen rising in the general strike will sweep away the undermined edifice and erect the new society born from their own midst. . . .

What is the future that may be predicted for the General Confederation of Labor? Will the synthesis of revolutionism and of unionism that has been achieved in it continue more or less stable until the "final" triumph of the revolutionary syndicalists? Or will the latter be overpowered by the "reformist" elements who will impress their ideas on the Confederation and who will change the character of French syndicalism?

These questions cannot at present be answered. The movement is so young that no clear tendencies either way can be discerned. The two possibilities, however, may be considered in connection with

the conditions that would be required to transform them into realities.

Those who predict a change in the character of French syndicalism generally have the history of English Trades Unionism in mind. They compare revolutionary syndicalism to the revolutionary period of English Trades Unionism and think of the change that came about in the latter in the third quarter of the past century. But the comparison is of little value, because the conditions of France are different from those of England, and because the international economic situation to-day is very different from what it was fifty years ago.

It is probable that if the French syndicats should develop into large and strong unions, highly centralized and provided with large treasuries, other ideas and methods would prevail in the syndicalist movement. But this change is dependent on a change in the economic life of France. France must cease to be "the banker of Europe," must cease to let other countries use its piled-up millions for the development of their natural resources and industry, and must devote itself to the intensification of its own industrial activities. Such a change could bring about greater productivity, higher wages, and a higher concentration of the workingmen of the country. This change in conditions of life might result in a modification of the psychology of the French workingmen, though how rapid and how thorough-going such a process could be is a matter of conjecture. But whether France will or can follow the example of England or of Germany, in view of its natural resources and of the situation of the international market, it does not seem possible to say. Besides, to change completely the character of French syndicalism, it would be necessary to wipe out the political history of France and its revolutionary traditions.

On the other hand, the triumph of the revolutionary syndicalists presupposes a total readjustment of groups and of interests. The Confederation counts now about 600,000 members. Official statistics count over 1,000,000 organized workingmen in France. But it must be remembered that the federations underestimate their numbers for the Confederation in order to pay less, while they exaggerate their numbers for the *Annuaire Statistique* in order to appear more formidable. The Confederation, besides, for various reasons rejects a number of organizations which desire to join it. It may be safe to say, therefore, that the Confederation brings under its influence the greater part of the organized workingmen of France.

But the total number of workingmen in France, according to the Census of 1906, is about 10,000,000, of which about 5,000,000 are employed in industry and in transportation. The numbers of

independent producers in industry, commerce, and agriculture is about 9,000,000, of which about 2,000,000 are *petits patrons*. Over a million and a half persons are engaged in the liberal professions and in the public services.

Among the latter the revolutionary syndicalists have met with success in recent years. The ideas of revolutionary syndicalism have gained adherents among the employees of the post office, telegraph and telephone, and among the teachers of the public schools. The recent Congress of the teachers have declared themselves ready to collaborate with the workingmen for the realization of their ideal society. The following motion adopted by the recent Congress of Nantes, at which 500 delegates were present, is very characteristic "The professional associations of teachers (men and women), employees of the State, of the Departments and of the Communes," reads the motion, "assembled in the *Bourse du Travail*, declare their sympathy for the working class, declare that the best form of professional action is the syndical form; express their will to work together with the workingmen's organizations for the realization of the Social Republic."

Also among the industrial and commercial middle classes there are some who look with favor on syndicalism. The French middle classes have for the last quarter of a century tried to organize themselves for resistance against the "financial feudalism" from which they suffer. Several organizations have been formed among the small merchants and masters, and in 1908 the "Association for the Defense of the Middle Classes" was constituted. The president of this Association, M. Colrat, wrote: "The ideas of the bourgeois syndicalism on the future are the same as those of the workingmen's syndicalism. . . . Far from contradicting one another, the syndicalism of the middle classes and the syndicalism of the working classes reinforce each other in many respects, and notwithstanding many vexations, they lead to a state of relative equilibrium by a certain equality of opposing forces." In the struggle against the big capitalists the leaders of the middle classes appear to be ready to form an alliance with the working-class. There can be little doubt, however, that the middle classes in general are opposed to the revolutionary ideals of the syndicalists. To succeed, the revolutionary syndicalists must bring about a change in the attitude of these classes, for the history of France has shown that the fear of "Communism" may throw the middle classes into the arms of a Cæsar.

Whatever possibility may become a reality, France seems destined to go through a series of more or less serious struggles. Hampered by the elements which hark back to the past and which have not yet lost all importance, disorganized by the revolutionists who

look forward to the future for the realization of their ideal, the Republic of France is still lacking the stability which could save her from upheavals and from historical surprises. The highly centralized form of government and the dominating position which Paris still holds in the life of France make such surprises easier and more tempting than would otherwise be the case. The process of social readjustment which is going on all over the world at present, therefore, must lead in France to a more or less catastrophic collision of the discordant elements which her political and economic history have brought into existence.

The struggle has already begun. The government of the Republic is determined to put an end to the revolutionary activities of the syndicalists. It is urged on by all those who believe that only the weakness of the Government has been the cause of the strength of the Syndicalists. On the other hand, the Syndicalists are determined to fight their battle to the end. What the outcome may be is hidden in the mystery of the future. *Qui vivra—verra.*

*J. G. Brooks: American Syndicalism and the I.W.W.**
(pp. 72-92)

Like the sound of a bell in the night, the Industrial Workers of the World strike an alarm note that seems as new and strange to us as if some unknown enemy were at the gate. Both the purpose and the weapons used are alien and uncanny to our thought. We are just becoming half wonted to Socialism, but the defiant, riotous ways of this American Syndicalism are past understanding. For its field of action it selects most unexpected points, hotels and restaurants with petrifying hints that concern the stomach of the public; then the camp of lumberjacks, north and south; small, self-confident cities on the Pacific coast, West Virginia mines, Pittsburgh industries and New England textile cities, hitherto proud of their orderly records. More disconcerting still is its attack on Socialism, as we have known it. This is beset by the newcomers with as much acrimony as capitalism itself. A prolific I. W. W. literature has more acrid abuse of the many prominent socialist leaders than anything appearing in capitalistic sheets.

Tit for tat, against the I. W. W. and its prevailing tactics, socialist authorities the world over are writing by far the most scathing and contemptuous criticism. . . .

That Europe will free herself so easily from the "child's disease" is open to question but we in this country shall not escape its discipline. The very spirit with which we fight it will, for a long time,

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help it. We have already added immeasurably to its strength by the use of tactics as little defensible as the practice of the I. W. W. itself. For the gravity of the movement in this country, I shall not offer general or theoretical proofs. . . . In 1903, I was asked by the late Commissioner of Labor Carroll D. Wright, to report to him confidentially upon the strike in Colorado of the Western Federation of Miners.

In the murky terrors of that miners' strike, the vehement and practical thing called I. W. W. had its birth. Grimy and hot, it rose there as from a sulphurous pit. It is insufficient testimony, but one of the more daring leaders in that strike assured me that not one of them ever heard of "Syndicalism" as for ten years it had been known in Europe. He said: "One or two of us knew that trade unions were called *Syndicates* in France, and that *sabotage* meant some sort of a row with the boss, in which labor got back at him with new tricks. It enabled the men to hold onto their jobs while the strike was still carried on at the point of production." Here they could quietly bring worse damage to the employer. The same informant has since assured me "the I. W. W. was hammered out in the fires of that conflict." So far as origins have value, the source of the Western Federation of Miners and its stormy history must have brief notice. The most rugged personality it has produced is that of William D. Haywood, who was amused that any one should think the mild disturbance at Lawrence, Mass., really serious. It was at most like a scrimmage among ladies. But Colorado, he said, "was the real thing, that was a *man's fight*." Amidst the wranglings at Lawrence, a citizen cried out, "What have we done that a pack of ignorant foreigners should hold us by the throat?"

The first fact in the "man's fight" from Coeur d'Alene in 1894 to Cripple Creek in 1903-4 is that "foreigners" neither led it nor were very conspicuous in it. It was as "American" as the Republican Party. This "Western Federation" began in Butte, Montana, in the spring of 1893. . . .

These unpleasant notes are not recorded here to excuse the succession of inhuman savageries of which some members of the Western Federation of Miners were plainly guilty. On both sides there were years of frontier warfare with every characteristic of war except its public and official sanction. It is a story that reads like the vandalisms connected with our early "Whiskey Rebellion" as recorded in McMaster's second volume of his history.

The men owning large mining properties and transportation systems in those regions did not propose to have groups of socialistic trade unions endanger these values. Millions were listed on the

stock market liable to tumble if investors were frightened and credit impaired. Nothing is more cruel or more lawless than great properties if thoroughly intimidated. In the midst of this struggle a lawyer, fighting for these interests, said openly, "Law or no law, we will not have a lot of thugs interfere with our business."

There is no such study of social guilt as that revealed very generally in this country during serious strikes. Police duties which belong strictly to public authorities are turned over to owners of private property. Thus instantly appear upon the scene detectives, spies, and imported strike-breakers, among whom (as in this instance) are lawless and desperate characters. Deliberately, we permit and sanction this procedure, "certain to create upon the spot every condition out of which insane hatreds and violence are bred. . . ."

It is the essence of "social legislation that it stands for the public welfare and not for any special interest. Piece by piece, since 1802, in England, it has been built up. It has tried to "regulate" the more lawless forces of competing private interests, as well as the health, housing, hours, and conditions of labor, the child in industry, occupational diseases, industrial insurance, and then, with more specific intent, the direct curbing of corporate powers in banks, railways, insurance, and the whole extending network of big business as it becomes national in its affiliations. It is generally believed that these forces have been restrained to the common good; that they cannot as of old, show contempt for public opinion, even if they feel it. Large sections of English, German, and French socialists agree in this, that legislative reforms have already produced immense benefits, and that the way, *even for socialists*, is along this same pathway of enlarged and more coherent amelioration.

True or false this issue cuts to the marrow of our question. It presents the case about which the main struggle of the future is to turn. Is the present society to be "reformed" into some tolerable measure of justice and "equal hope for all"? Are the main lines of this regeneration already traced, with such clearness that we have only to continue as we have begun? Or, are we to confess their futility and fall to, in good I. W. W. fashion, to ridicule charities, philanthropies, social settlements, welfare work, sliding scales, arbitration and the full score of other attempts to unite and organize the entire good will of society and not merely a "class conscious" part of it?

But Syndicalist criticism goes much further. We have for example taken the Post Office away from the private profit maker to manage democratically and directly for public uses. Most of the world's railroads have been taken by the state; large parts of

trolley lines, gas, telephone, telegraph; a good deal of private insurance, mines, and water powers, together with a long list of municipal hotels, restaurants, milk supplies; all these have already been "socialized," "taken over" for public administration "in the interests of all." These are for the most part imperfectly managed, but their intent is socialistic, because they lessen the area of private investment. Are we to continue in this direction by carrying out this same process to its supposed logical completeness? When it is applied to banks, land, shipping, mills, mines and the entire body of more important industries, shall we have the essentials of the socialistic state?

In every advanced country, this is the express claim of a most influential part of the active and disciplined leadership among Socialists. At the points where they secure political power and responsibility, this opinion steadily gains in influence. This view assumes that the evils of capitalism are slowly being lessened, and that the way to diminish them further still, is to extend the whole regulating and "socializing" process now under way.

The hot protest against the above is not confined to the I. W. W. Hosts of more revolutionary spirits reject these "bourgeois conciliations," but none reject them with more contemptuous unanimity than Syndicalists in general. They tell us that our prevailing business system never was more triumphant or unrepentant. Never did it strip labor closer to the bone. Never did it lug away to private vaults so large a share of that wealth wrung from the sweat and toil of those who labor. From its inner kingdom of finance, its cunning devices of "underwriting" and control of credit, marketing securities, over-capitalization, and such like juggleries, the powers of capitalism so control the final dividing of products as to get absolutely and relatively an increasing pillage for their share. In these round terms of condemnation Syndicalists speak to us of discredited social and economic reform alike. It has no more fundamental characteristic than this.

Their [I. W. W.] ablest exponents now state their case in the *International Socialist Review*. In the last issue in my possession, a writer in the interest of "Simplicity" puts the case as follows:

"The world's people belong to or support one of the two great classes, capitalists or workers.

"What have we got? Nothing. What have they got? Everything.

"Now we want it. Simple, isn't it?

"We demand all they've got. Why? Because they have stolen it from us. We are the disinherited of the earth and we are getting ready to take back what belongs to us.

"They told us in the beginning that there was a chance for all. Now we know that they lied.

"We have become wise to the fact that we are the victims, the suckers, the fallguys, in the greatest bunco game ever invented. We put all we had into it—our health, our hopes, our strength and power to labor—but everything went merely to make them richer and stronger. The result is that they are the owners of everything that makes life worth living.

"We want it back. Now how are we going to get it?

"Ask them for it? They would hand us the laugh?

"Buy it from them? It never belonged to them in the first place—no, we are going to take it."

"Take it how? By force? No, not necessarily. By bullets? We are not so foolish. We have the power already. We far outnumber them and our brains, when used, are as good as theirs. Therefore, we will organize our power and use our brains in our own behalf hereafter instead of theirs. When the workers are once solidly united the system by which the capitalists daily rob us of the fruits of our toil will simply fall of its own weight."

But until we learn a new solicitude for things that shame us, this sharp surgery of revolt is to be welcomed.

It is directly to a threatening and rebuking Socialism that Europe owes much of its most effective social legislation. It literally scared society into some of its most elementary duties. Until we can act without threats, threats are our salvation—yes, even the threats of the I. W. W. This service they render, and it is not a mean one. They are telling plain truths to many sections of our community. They are challenging some of our old trade unions,—telling them of their lust for monopoly power; of their tendency to exclusiveness and snobbery toward the unskilled and less fortunate among the laborers. A trade union like some in the glass industry may develop every monopoly vice that capitalism shows at its worst. It may have the same hard complacency, the same indifference, the same need to be convicted of sin that is socially true of us all. I asked one of the oldest and best of our social settlement workers what, in order of demerit, was our chief sin. She said: "The sleep of indifference among the comfortable, headed the list."

The rebelling spirit of the I. W. W. is at least a wholesome disquietor of this sleep. If we add to this, its own awakening appeal to the more unfavored labor in which its propaganda is carried on, we are merely recognizing forces that are useful *until a wiser way is found to do their work*. This we have not yet found, neither have we greatly and searchingly tried to find it. So many are our

social inhumanities that the rudest upsetting will do us good if the shock of it forces us to our duties.

With much of the purposes, *motive*, of the I. W. W. we may also sympathize. The goal at which they aim is one from which every parasitic and unfair privilege shall be cut out. I asked one of the best of them, "What ultimately do you want"? "I want a world," he said, "in which every man shall get exactly what he earns and all he earns; a world in which no man lives on the labor of another."

As for constructive suggestion, our I. W. W. have so little as to embarrass the most indulgent critic. In their convulsive and incendiary appeal to the forgotten masses, there is, nevertheless, a saving utility that should bring the movement within our sympathetic acceptance. To the utmost, we should work with it as those determined to learn, from whatever source the message come.

Of this total rising protest against sources of unnatural inequalities in wealth and opportunity, the I. W. W. is at most a very tiny part. It is yet enough that they are in it, and that they are fully aware of the fact. For the first time they are so consciously related to this spirit of revolt and to the delicate industrial mechanism which gives them power, that only a captious temper will refuse them hearing. Not by any churlish aloofness are they to be educated, nor are we ourselves to be educated. In all our efforts to penetrate these mysteries of social reformation, a common darkness is over us all.

Not in the least are those who most materially profit by the present system to be held in awe as possessors of special and exclusive enlightenment. There is also a "wisdom of the humble" endowed with the high authority of age-long suffering and experience. It is even to such as these that a new power is now passing. It will not be taken from them. It will be used in folly and cruelty, if society is also foolish and cruel.

It is the final condemnation of the old lone-hand, fighting spirit in industry, that it at once creates new and deadlier sources of antagonism. It revives on the spot, not public, but private warfare, with all its contagious treacheries.

The sole cure for these barbaric survivals is the coöperative intention developed into habits of thought and action. This intention need no longer expect itself in vague benevolence. New organs are at hand in which it may be embodied.

If we add to this the final best step of all—the open declared purpose to admit labor to management first at safe and possible points with all that this means of banished secrets; to admit it fearlessly and with no reserves as far as labor proves its fitness; we

then and there connect ourselves with the coöperative régime. This does not close the fist, it opens the arms. It is the essence of this coöperative intention—not to exclude, but to include labor in the control of business; courageously to give it every opportunity of training to this end. It will require the severe schooling of a century—but every strong man who openly sets his face that way, who tries consentingly and forbearingly to prove the policy wise is the helper to whom we look.

With this spirit and purpose we merely treat Syndicalism at its highest and best, rather than at its lowest and worst. At its ideal level, we take it at its own word. This ideal is also coöperation with the long educational drill which that implies. To unite with that ideal, to bear with the defeats incident to its slow unfolding, is to work securely with order and progress, and not against them. It is to work as securely with the ever wider and more intelligent good will of every class and condition of men on which the stability of social welfare must forever depend.

Bertrand Russell: Roads to Freedom * (p. 95)

Whatever may be thought of the practicability of Syndicalism, there is no doubt that the ideas which it has put into the world have done a great deal to revive the Labor Movement and to recall it to certain things of fundamental importance which it had been in danger of forgetting. Syndicalists consider man as producer rather than consumer. They are more concerned to procure freedom in work than to increase material well-being. They have revived the quest for liberty, which was growing somewhat dimmed under the régime of parliamentary Socialism, and they have reminded men that what our modern society needs is not a little tinkering here and there, nor the kind of minor readjustments to which the existing holders of power may readily consent, but a fundamental reconstruction, a sweeping away of all the sources of oppression, a liberation of men's constructive energies, and a wholly new way of conceiving and regulating production and economic relations. This merit is so great that, in view of it, all minor defects become insignificant, and this merit Syndicalism will continue to possess if, as a definite movement, it should be found to have passed away with the war.

Graham Wallas: The Great Society † (p. 305)

The Syndicalists ascribe many of the evils of parliamentary government to the fact that it is "geographical," that the constit-

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uencies, that is to say, consist of voters merely related to each other as inhabitants of local areas. Even if men so related belong to one party, their appearance of solidarity is, they say, superficial. M. Challaye sums up many syndicalist criticisms on this point in the words, "A political party is an aggregation of heterogeneous elements held together by the artificial bond of similarity in opinion. In such a party, men from all the social strata elbow each other, exchange vague and sterile platitudes, and attempt to harmonize by insincere compromises their essentially antagonistic interests."

"The Syndicalists therefore look for a Will-Organization which has behind it some stronger emotion than that produced by the accidental residence in a few score of adjoining streets of a few thousand men who have adopted a common party name for their opinions. This Will-Organization they find in the fact of common industrial employment. The Trade Unionist, they argue, is joined to his fellow-workmen by a bond of things and deeds not of words, and one for which experience shows that he is always ready to risk his own livelihood and that of his children. . . ."

The history indeed of the late-medieval guilds shows both the strength and the weakness of the Syndicalist form of Will-Organization. The gild-brother, whether painter or weaver or lawyer, lived a vigorous and interesting life, and his close association with his fellows tended to maintain a high technical standard in the use, and sometimes perhaps the development of traditional methods. But even in the organization of industry, the Guilds proved unable to adapt themselves to radically new methods, or to arrange effective compromises between the various crafts, or, where the two became distinct, between the craftsman and the merchants. They constantly tended, in accordance with a narrow interpretation of the pecuniary interest of their existing members, to restrict the entrance into the gild of "strangers," and even of their own skilled assistants, and to make themselves into a body of hereditary monopolists, enjoying as employers the "rent" of the harbor or trading center in which they were situated.

And even in the medieval city, the management of Industry was not the sole function of the Organized Will of the community. Police, public health, and above all the management of the external relations of the city, had to be provided for. If in such matters the citizens avoided or neglected as unreal the process of compromise by which alone the inhabitants of a ward could elect a common representative on the city council, they only created the more difficult task of arranging compromises later on between organized and hostile interests. Cities which could enter into no binding agreement that did not bear the seals of twenty jealous guilds, and which could

not keep order in their own streets during a trade dispute, proved too weak to stand against the more highly organized national states which began to appear during the sixteenth and seventeenth centuries. It proved to be more important that under Syndicalism men loved each other less as citizens than that they loved each more as Gild-brothers.

If Syndicalism ever became the sole basis of organization in the Great Society all these difficulties would remain, and other difficulties would arise from the change of scale which has taken place since the Middle Ages. If the whole management, not only of manufacture and trade, but of foreign affairs, religion, education, health, and the thousand functions of a modern state, depended upon elections in constituencies consisting of whole industries, those elections would soon become as much a matter of specialized skill as the present local contests, while the successful candidates would be equally liable to acquire the insincerities of the platform. And however insistently the Syndicalist agitators had preached intuition, the nature of things in a modern Syndicalist state would throw all real power into the hands of the men of calculation.

3. SOCIALISM

*Emil Vandervelde: Socialism versus The State **
(pp. 45-6, 55, 141-2, 217-29)

Reformist socialism, retaining from the Communist Manifesto nothing but its program for immediate realization, tends to degenerate into a state of socialism, dominated by parliamentary and electoral considerations.

Revolutionary syndicalism, on the contrary, pushing to extremes the anti-statism of Marx and Engels, retains only their final objective, the abolition of the State, and sees in the political action of the labor parties only an accessory or even a nuisance.

It is at once against this syndicalist exclusivism and this reformist exclusivism that the social democracy strives to react, by assigning to the workers a double objective: (1) the conquest of the state by the proletariat organized into political parties; (2) this conquest being accomplished, the abolition of the State as an organ of domination of one class over another, or, to repeat the expressions already quoted from Kautsky, "the transformation of present society into a great economic coöperative by the centralization of the means of production."

But inside the social democracy, we may point out notable divergencies as regards the manner of conceiving the conquest of the State, the seizure of political power.

Among the members of the International and of the parties affiliated with the International, there are some, on the right, whose conception does not greatly differ from that of the independent socialists or reformists; there are others, on the left, who are on the contrary more or less close to revolutionary syndicalism; and between these two extremes, we find, more or less numerous in the various countries, under the names of "Marxians," "radicals," "revolutionary socialists," militants who strive to shape their action to the fundamental ideas developed in the Communist Manifesto and the other writings of Marx and Engels.

As a matter of fact, no lines of demarcation are clearly drawn between these three groups. . . .

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But, in the democratic countries at least, the socialist parties for the most part have departed or tend to depart from their old uncompromising attitude.

They approve the immediate monopolization or nationalization of certain industries. They urge the seizure of the railroads, the mines, the sugar or petroleum refineries. They have given over waiting for the revolution to be first accomplished, before proceeding to partial extensions of the collective domain, and thenceforth, one may well inquire of himself whether there can still be a question of speaking of socialism versus the State,—whether one ought not to admit on the contrary that, little by little, democratic socialism, sliding over a dangerous precipice, tends to become a State socialism.

It is this that we propose to examine, inquiring in what measure, under the pressure of events, the primitive conception of Marxism is being modified, or must be modified, on these two essential points:

1. *The conquest of political power by the proletariat;*
2. *The transformation of present society into a "great economic coöperative by the socialization of the means of production."*

But there is at least a germ of truth in the opinion of those who hold that the state is a bad merchant and a bad manufacturer, and who consequently dread to see, as a consequence of the progress of statization, the development of a sluggish, routine-bound bureaucracy; who rebel at the thought of seeing their individual initiative weakened, and who see a serious menace to liberty in the transformation of an ever-growing number of citizens into officials.

Only, we can not repeat often enough that it is not the State, as constituted to-day, to which the socialists would assign the collective proprietorship of the means of production and exchange.

In reality, all the misunderstandings that arise on this subject, all the confusions that possess people's minds proceed from the fact that the word State—with a capital S—can be taken in two very different senses.

If we consult, for example, Littré's dictionary, we shall find the following definitions of the State: (1) a body of people; (2) the government of a country.

In the first sense—the body of the people—it is true that the socialists advocate the appropriation of the principal means of production by the State, with this reservation, however, that certain industries, notably the railways, tend to become international, and that others, having a local character, belong within the municipal sphere.

In the second sense, on the contrary—the government of a country—it is absolutely incorrect to say that the socialists wish to

entrust the operation of the principal industries to the Government-State. The function of a government, in brief, is to govern, not to manage industrial enterprises, and to entrust functions of an economic order to a government is like placing a police officer in control of a lighting plant, or asking the commander of an army corps to busy himself with posts, telegraphs and railroads.

Unhappily, to-day, when the State administers an industry, it proceeds to a great extent in that very way: the police State, the military State, is not sufficiently distinct from the schoolmaster or industrial State. Their fundamental characters are the same. Their resources become intermingled. Their directing bodies, finally, are recruited according to the same rules. . . .

Is it not evident that fundamental reforms might be and ought to be introduced into the organization of the industry?

1. The operation would cease to have a fiscal character, and it would be the same with the other public industries, except those adapted by their nature to provide profits for the treasury, like the monopolies of alcohol and tobacco.

2. The industrial State ought, far more than to-day, to have an organization quite apart from the government-State; centralization is one of the characteristics of authority; decentralization is one of the necessities of management.

3. Industrial management would no longer belong to functionaries delegated by the Government, and having wage-workers under their orders, but to the entire body of workers, organized into public corporations.

Certainly, before these radical transformations will take effect or even can take effect, time and efforts will be needed.

But from to-day the whole labor movement, political as well as economic, tends to this final result.

The war has interrupted this movement. It will be resumed with greater force when the war is over.

Already, in all the countries where universal suffrage does not yet exist, the people are demanding it as the price of their sacrifices, and are thus preparing for the conquest of the public powers by the proletariat.

On the day after the war we shall witness a powerful effort of the workers to take away from the financial powers the monopolies to which the war will have given birth; and thus we shall march toward the collective appropriation of the principal means of production and exchange.

Industrial union activity, rendered more intense by the after-war difficulties, will create, within the entrails of bourgeois society, the

organs of the future society, the public corporations which will operate the socialized industries of the future.

Finally, the resumption of international relations among the workers, the development of the society of nations, the formidable reaction of peace against war, will tend progressively to restrain the functions of the Government-State, at the same time that the progress of collectivism will multiply the functions of the industrial State.

Thus, little by little, through an immense addition of individual and collective efforts, the way is preparing for the passage from present society to the new system, which a pioneer comrade, Victor Considérant, described long ago in his "*Destinée sociale*":

"The States thus transformed will be nothing but managing committees, named by associations more or less numerous, and invested with the confidence of those who have chosen them. There is no more government having soldiers and policemen under its orders; there is no more despotism nor usurpation possible,—something that nations will always have to fear, so long as they are obliged to manufacture sabers." . . .

In a lecture at Sion College, February 4, 1914, on the "principal currents of contemporary thought," the Dean of St. Pauls, the Rev. Mr. Inge, said:

Socialism may be conceived as an omnipotent bureaucracy, directed by a small number of capable men, of the type of Napoleon or Pierpont Morgan, and such men are accustomed to high pay for their services. A socialist government might be powerful and prosperous, but it would have to rule with a rod of iron.

Is it necessary to repeat that if this were socialism, it would have no more energetic opponents than the socialists themselves?

Statism thus generalized would maintain the wage system, would maintain the authority of the employer, would maintain the relations of subordination existing between the ruling class and the working class.

Socialism, on the contrary, implies a radical, essential change in these relations.

It is not a question of replacing private capitalism by State capitalism, but private capitalism and State capitalism by the co-operation of the workers, masters of the means of production and exchange. And such a transformation, which suppresses the distinction between capitalists and workers, is nothing less than a revolution.

This revolution, the social revolution, which the Manifesto com-

pires to a geological upheaval, to a rising of the lower strata of society, overthrowing all the present legal and political superstructures, may be sudden or slow, may take the classic forms of previous revolutions or, which is more probable, may decompose itself into a long series of partial struggles, more or less bitter, more or less violent; but on any hypothesis, the day when this shall be accomplished, there will no longer be anything in common between the capitalist State, instrument of the rule of the possessing classes, and the new State, the socialist State, organ of management of the common interests.

To-day, the State is above all a power of coercion, of domination, exercising incidentally certain economic or social attributes. In a socialist régime, on the contrary, these attributes would become the principal part of its activity. It would cease to dominate the workers. It would emanate directly from them. It would become theirs.

In the economic order, as in the political order, and, in a general way, in all spheres of collective life, socialism is not pro-state, but anti-state. It strives to bring about the separation of the State from labor, as from religion and from the family. It desires, as the final term of this triple evolution, the State-power, the State as organ of authority, to be reduced, if not to nothing, at least to secondary functions of supervision and police. Family life escapes from its control. The churches are no more than free associations grouping citizens according to their philosophic or religious affinities. The great cooperative of social labor, arrived at the fullness of its autonomy, administers itself, free from all governmental interference.

The realization of this ideal may be more or less complete and more or less near. But, under penalty of dangerous deviations, the proletariat must be penetrated with it

We have put ourselves on guard against the excesses of a sterile doctrinalism, which would make us reject any State intervention, any resort to the State, even to prepare for discarding it.

We should guard ourselves far more against the contrary tendency, which would see in the extension of State functions, in the grasp of the Government upon the principal industries, the final form and the triumph of socialism.

In an interesting letter which Marx wrote in 1873, to oppose the ideas of Bakunin, he ridiculed with reason those anti-statists who, for fear of consolidating the bourgeois State, avoid all practical activity; to limit the hours of labor is compromising with the exploiters; to strike for higher wages is to recognize the wage system; to demand that the State, whose progress rests on the exploitation of the working class, should furnish elementary education to the

children of laborers or appoint factory inspectors, is to fortify it instead of dissolving and destroying it.

But it is not against such dangers that warnings are needed to-day. The socialists are in the midst of political and social activity. They act on the State to constrain it to enact reforms. They are demanding, even now, extensions of its domain. They are striving to conquer it, to turn its coercive force against capitalism. The all-important thing is that *this action for the conquest or for the utilization of the State does not prevent the struggle against the State, in so far as it is an organ of class rule.*

It is not enough to say that it shall be abolished after being conquered, it is necessary to prepare for that abolition, in all spheres of social life, striving to realize, as against it, the autonomy, ever more complete, of individuals or collectivities.

Let the workers, to improve their condition, accept or demand from the bourgeois State a minimum of protection. Let them prefer to capitalist monopolies the State industries, which take account, at least to a certain extent, of the general interest. Let them strive to maintain, after the war, the control that will have been established over the principal branches of production and exchange. We are with them. We admit all the value of these necessary reforms. But it is impossible to repeat often enough, at the moment when, everywhere, the progress of statism during the war is represented as a partial realization of collectivism,—that these reforms, to be demanded above all by the socialists, are not, properly speaking, socialism.

They may open the way to it. They may be the preparation and the preliminary condition of the system of the future. But they might, if we do not take care, result in a disastrous lessening of the liberties of the individual, by a formidable development of the State-power, still in the hands of the master classes.

So we should never forget that, even if the principal industries came to be incorporated in the collective domain, the system of the future would still have to be created by the transformation of the State, and that this system can only be created by a militant proletariat, penetrated to the marrow with the injustice of present social conditions and resolved to conquer, by main force, well-being and liberty.

*Will Durant: The Future of American Socialism **

The honest radical (who may be defined as the radical who would rather look fact in the face than feast on a phrase) is dis-

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covering to-day that the chief difference between the exploiter and the exploited is the superiority of the former in initiative, organization, and foresight. The rapidity with which capital, faced by revolution and dissolution, has organized its international in the League of Nations, and the readiness with which Republicans and Democrats combine in localities where Socialism has become a menace to all respectable and God-fearing men, may be profitably contrasted with the passion for fragmentation which has animated and dissipated the forces of reconstruction in Europe and America these last half-hundred years. The same abounding individuality which makes a man a rebel against Providence and the police makes him also an impatient item in any organized radical group. This is an old story, and not the sweetest ever told; particularly painful to-day, when the opportunity is so obviously ours to replace deceptive geographical divisions of political opinion by fundamental horizontal divisions drawn to accord with the vital and present interests of men. Probably the opportunity will be lost, and we poor individualistic Socialists will go on with our infinite division, like a conscientious mathematician struggling with the square root of a surd.

Part of the difficulty, of course, buds out from the fact that radicals deal in new ideas while conservatives (as such) deal with ideas older than the hills. A new idea is an experiment, a risk, an adventure; it leads a precarious existence always, and has no large expectation of life, it is more often a fashion than a fact, and even as a fact it may ride insecurely some passing crest of circumstance. So we whose radicalism is losing the beardless flush of youth find ourselves caught to-day in a flux of theory that has long since dislodged us from our cherished isms, and is sweeping us on with a rapidity only less violent than the dizzying current of events. Our old fetish of government ownership, for example, is no longer a fit god for our tribe; our enemies too are beginning to worship at this shrine, and we begin to feel ill at ease in its presence. We have become suspicious of the state and all its works; we distinguish anxiously now between Socialism and State Socialism—though we are rather surer of what we do not, than of what we do, mean by the former term. This State Socialism was a religion of weakness; we wished to be huddled up in the great safe bosom of "the Government," to lose our little worried egos in a sort of economic Nirvana in which God and the State and ourselves melted into an ethereal, etherized unity. Then came war; and overnight the socialized state engulfed us. Some of us are relieved, even enthusiastic, over this event; Mr. James MacKaye, indeed, rejoices eloquently, and feels that we are tobogganing into Utopia ("Americanized Socialism";

Boni and Liveright). But some of us are skeptical, and think of Greek gifts.

Now, we have had enough of this Scheidemann yellow Socialism; there is more for our eyes and our hopes in the brilliant colors with which Bolshevism is covering the canvas of the world. *Soviet* is the throned word of the day; we shall send our Congressmen back to school, and shall put in their place a body of deputies chosen by the producers, rather than named and "put through" by the investors of the country. Clearly we Americans are in matters political still at the imitative stage; we import our isms bodily from Germany (State Socialism), or from France (Syndicalism), or from England (Labor Party programs), or from Russia (Bolshevism); and any suggestion that these theories must be changed to fit the peculiar perspective of the American scene passes over our heads, close to the clouds though they be. Mr. Louis Fraina, for example ("Revolutionary Socialism"; Communist Press) wants a red-hot revolution immediately, if not sooner, and never doubts that the proletariat of these United States is prepared to take over all the means of production and distribution, and to manage sufficiently well the complicated interrelations of American agriculture, industry, and commerce. The differences in size, organization, and intelligence between the business class in America and the business class in Russia; the condition, character, and conservatism of the average American farmer; the presence of a large and victorious army; the individualistic and careerist tradition that has molded us all, immigrant almost as much as native, radical almost as much as conservative; the comparative (though rapidly decreasing) fluidity of classes in America; the secret hope in almost every wage-slave's heart that he will some day be a happy exploiter himself, with a front pew at church and an ancient coat of arms on his stationery; the vast horde of servants—"parasitic proletariat," Shaw has called them—whose interests are so bound up with the present régime that they are more reactionary than their masters; the blurring of the distinction between producer and investor as a result of stock-holding, profit-sharing, bond-purchases, and so on; the bourgeois affiliation of practically all men trained for directive and administrative functions; above all the conservatism of the dominant group in the ranks of organized labor in America—treacherous details of this sort are to our gentle revolutionaries but spots on the rising sun; let us put our blinders on and move forward; "if we reflect too much we shall never act at all"; let us have action, action, action, and we can ask questions afterward.

No, we must take leave of Mr. Fraina too; merely recommending

his book as a very capable and sincere exposition of the revolutionary point of view.

And now, having successfully demolished all other theories, nothing remains for us to do but to formulate and establish our own nostrum. There are three questions involved: First, what do we want? (Most of us stop here.) Second, what can we get? (Most others stop here.) Third, just how are we going to go about it? (Some get thus far.) Most radicalism is rather an aspiration than a resolution; and most of the resolution fights shy of specific purposes, methods, and details. Two things we can perhaps agree on as items in our general social desire: One, that "labor" shall have at least an equal share with "capital" in the direction of industry, local and national—and not merely in the discussion and arbitration of lesser industrial disputes, as seems to be the upshot of the Whitley Reports—until such time as all capital may be socialized and the private investor squeezed out of existence. Two, that to our present Congress, retained as a geographically elected body representing us as consumers, we shall add a national economic congress of deputies elected by agricultural and industrial groups and representing us as producers. The first of these two commandments of the new dispensation is probably as much as can be made effective at present. A revolution might realize both, or more, for a time; but the lack of administrative and commercial training among the members of the proletariat would presumably result in a swing back to the condition as here outlined and here proposed as within the bounds of bloodless attainment.

Towards this prosaic attainment we would suggest, first of all, that some effort be made to bring into general harmony—at least on these two points—the four fundamental forces making for a better social order in America: a unified Labor party, a broadened Socialist party, a more partisan Non-Partisan League, and the more advanced element in the very varied ranks of American liberalism. The Labor party would have to open its ranks to all who live by their labor of hand or brain; the Socialists would have to stretch a point or two in their constitution and develop a more flexible machinery; the rebellious farmers would have to play a bolder game than heretofore, sacrificing some immediate gains to larger ulterior purposes; and the liberals—well, can anything good still be said for the liberals? The very word is in bad odor with all men who can detect decomposition; it has come to betoken a mild and bespectacled indecision, as of a man who dispenses radical rhetoric but cannot forget that he has some shares in Bethlehem Steel. Yet the threatening propinquity of revolution is sifting the ranks of the liberals, driving into a frankly conservative position those who

think that pills will do where surgery is needed; and the remnant finds its hands freer to work for some such program as has been here put forth. Let then these four elements unite—Laborite, Socialists, Leaguer, and Liberal—and they may quicken a new birth which will burst the shell that is stifling American growth.

But all this is politics, and is mere paper and ink unless behind it stand forceful organizations of producers and consumers. That consumers too must be organized is elementary, and hardly calls for demonstration here. That our trade-unions must turn over a new leaf, passing from the isolated consideration of hours and wages to self-preparation for all the tasks of industrial management and co-ordination, is a proposition that can better bear repeating; we offer it here as the second constituent in our general panacea. The new society must be built from the bottom up, with the remodeled labor union as its productive and directive unit. But it must be a maturer union than that which gives Mr. Gompers carte blanche to stultify American labor in the conferences of Europe; it must become worthy of its future. It will have to reorganize on an industrial rather than a craft basis, with shop-committees replacing the old union machine; it will have to broaden its borders to include all producers, manual or mental, who care to be included. So labor will (let us pray) eventually unite itself as thoroughly as capital is united; "one big union" is indispensable to ultimate labor control of production and distribution, and will serve as effective counterpoint to the centralized control of capital. And in every city these organizations of labor will join hands for all manner of purposes, economic, political, recreative—and educational. To this last, in the end, all plans return. Each great center of population must have its labor-financed People's University, where all may freely learn who can show a producer's card, and where men effectively pledged to labor loyalty may be selected and trained to fill, one by one, the places of direction and management in industry and commerce. And out of each such university may come a daily paper accurate and thorough in its reports, courageous and constructive in its comments, managed and edited by a board that will represent fairly the varied elements that are joined in its support. To teach workingmen to read their own press, and to produce a labor press which workingmen can be persuaded to read—this is part of the prelude to reconstruction.

In short, we are not worthy of a revolution because we have not yet developed a system with which to replace the order that we would depose. It is only by the artificial stimulus of European example and "democratic" autocracy at home that we are driven to think of it; the indispensable basis of a successful revolution—the

ability to replace and improve upon the existing system—is not yet present; certainly less so here than in England. To advocate revolution without serious conviction of our ability to make this substitution is to invite workmen to be slaughtered for an ideologist's holiday. We cannot write our poetic drama yet; we can only write the prologue, and in prose. We can only make straight the way. We can organize our forces, add to our resources, and develop within our ranks men fit to deal with the complexities of our economic interrelations, domestic and foreign; we can use our present power to compel the democratization of industry by the equal representation of labor with capital on all industrial boards; and with this leverage we can one by one replace the managers, engineers, agents, and merchants whose hearts are loyal to the past, with men chosen by the forces of labor, trained in the universities of labor, pledged to the purposes of labor, and directed by its councils. And so, perhaps, unheroically but surely, the new day will dawn.

*James MacKaye: Americanized Socialism **

AMERICANISM AND SOCIALISM

Socialism "Made in America." Not long ago I was talking to a typical old-time Yankee farmer, a veteran of the Civil War, and a man imbued from his youth with the traditional American way of thinking. He asked me to tell him what socialism was. He said he had read about it in the newspapers but could not make out what it meant. I told him in brief that it meant the operation by public officials in the public interest of the railroads, coal mines, steel works, cotton mills, and similar industrial activities by which the public would supply themselves with substantially all the things they needed at cost, in much the same way as they now supplied themselves with postal facilities through the postoffice.

"Is that socialism?" said he. "Why, I have believed in that for years. I have often talked it over down at the store, and lots of folks around here think as I do about it."

This experience is quite a common one with me. I find wherever I go among old-time Americans that the essentials of socialism are understood and accepted, often with enthusiasm. Indeed, there are rather good reasons for thinking that a large minority, perhaps a majority, of the people of this country already are disposed to believe in the program of socialism, and would vote for it if it were presented to them in the terms in which they think. I am at least aware that the majority of men with whom I am well enough

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acquainted to know their real views, including business, professional, working men and farmers, are believers in socialism, though very few vote the socialist ticket.

Now why is this? Is it because they are not really socialists at heart and do not really understand the issues involved? By no means. While they have no thorough grasp of the principles underlying socialism they understand it at least as well as the average member of the Socialist party, though they think in a very different, not to say a more practical, way about it. The Socialist party, though seeking a splendid ideal, and one which must appeal with particular power to people reared among American traditions—the ideal of a coöperative commonwealth—employs tactics so defective that it may be seriously questioned whether its activity is not more of a harm than a help to the progress of industrial democracy in this country. To the average party socialist practical socialism is little more than a tail to the labor union kite, a movement to make the manual worker dominant in politics; while theoretical socialism is more a matter of words than of ideas. It is a language rather than a philosophy or a plan. A few formulas containing the words working class, exploitation, class struggle, surplus value, class consciousness, economic determinism, and some others “made in Germany” constitute his philosophy of socialism, and with these he seeks to convince the American people. Of course he fails, not because the people are not ready for the issue, but because the Socialist party does not know how to present it, does not grasp the American way of thinking, nor speak the traditional American language.

The old-time American of whom I just spoke and those like him all over the United States make nothing out of the orthodox socialist lingo. It is all Greek to them. It may be all right in Europe where the democratic tradition does not generally exist, but in this country men think in terms of the traditions common to the country, and to them the reasoning which leads to socialism is much shorter, clearer and easier than that furnished by the Marxian philosophy. A brief glance at the development of American institutions will show how genuine socialism rationally follows from universally accepted American traditions familiar to every American schoolboy. Indeed, the American theory of popular government, which no politician in the country would dare in terms to oppose, furnishes the necessary and sufficient premises on which the doctrine of socialism rests. All the socialist need do is to draw the conclusion. . . .

The Goal of Americanism. It seems not unfair to claim that in the foregoing discussion it has been shown that capitalism combines the essential qualities of monarchy and slavery—that it is a denial

of the right of the people to rule their own concerns, and an assertion of the right of one man to consume the product of another man's labor. Both the denial and the assertion have been repudiated by the American people—repudiated at the cost of two long and bloody wars. They are absolutely un-American in the sense that they are opposed to the best traditions of the republic. They are only tolerated to-day because they are disguised under forms, of which our people are indeed deeply distrustful, but the true nature of which is still obscure to them. If this is the case, then at least one duty of enlightened Americanism seems clear. It is to try to show to the American people, first, the true relation of capitalism to monarchy and slavery; and, second, to point out the only substitute for it consistent with American ideals. Namely, for the people to attend to their own industrial affairs, in the same sense in which they attend to their own political affairs, thus replacing industrial autocracy with industrial democracy. And to conduct them for public service instead of for private profit, thus replacing the practice of owning something with that of doing something for a living; to the end that public functions shall be conducted as public functions, instead of as by-processes of private money making, and that no able-bodied adult shall eat the bread that another has toiled and worked to produce.

The name of such a system of doing things ought to be rather a matter of indifference, but unfortunately it is not, because men have the habit of judging things by what they are called instead of by what they are. The word socialism, partly by the vagaries of persons calling themselves socialists, partly by the successful sophistry of our Tories, honest and dishonest, has been invested with so much obscurity and suspicion that it constitutes a real handicap to the soundest, most practical, and most typically American policy which can be applied to our present industrial problems. The word socialism does not even express by its derivation the meaning of the doctrine. Socialists do not need to contend for the socialization of industry. Every one, including the monopolist, contends for that. What they contend for is the democratization of industry; in other words, for consistent democracy, which is therefore the proper term for what is now called socialism.

If it could be called democracy or even nationalism, Americanism, collectivism, or anything suggestive of its real character, and expounded in the common sense American fashion of Lincoln, all the powers of plutocracy could not prevail against it, and some day this is going to be done.

4. THE SOVIET

*Raymond Robins: The Meaning of the Soviet**

The Russian Revolution was the first fundamental economic revolution in the history of the world and the forces that sprung from it will be challenging the world, particularly the Western nations, for years to come. . . .

If we are going to think intelligently about Russia, we want to separate the Bolshevik party and its formulas from the soviet structure of social control. There is in Russia a new binder in the national life of the people, so far as the vast mass of peasants and workers are concerned, and that is the soviet structure of social control. . . . At the very hour when Kerensky was supposed to be exercising authority over Russia, there were local soviets in various places, and they were beginning to be a real power in Russia. Those soviets were the genuine force.

For instance, I say genuine because when the chairman of the local soviet said, "You can get a train," I got the train; and when he said I could get six wagons to take grain from the village to the station, I got six wagons! In other words, it was a genuine social binder. Now, what was this soviet? You hear those who say it was a mere workmen's revolutionary council in great cities, and those who speak of great cities alone, speak truly. That is true if you only look at the cities, but the moment you turn your eye on the villages you find an old, historic, democratic social control, known as the "village mir"—a sort of town meeting, broader and narrower than our town meetings—broader in personnel and narrower in jurisdiction. The personnel consisted of men and women with interest in mir lands who sat on equal terms in the village mir; their jurisdiction was narrow because they were held to communal land questions, roads, to sanitation, and so on, and were very limited in power. The Czar and autocracy, afraid of the democratic character of the mirs, would not allow them to have delegate relationships and kept them within local environment. As soon as

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the autocracy was repudiated, as soon as that power of the 7 per cent was lifted by the revolution of March, 1917, the mirs grew up into district, municipal, provincial soviets, overnight, as it were. Joining with the Workmen's Councils of the great cities, they became the All-Russian National Soviet, a genuine revolutionary binder that came out of the past. And this is the only genuine binder, in my judgment, that has existed in Russia since the autocracy went down. That is the structure of the revolutionary government of the mass of Russia. What party and what formulas invest that structure is adventitious. It might be, as it is to-day, the Bolshevik party. It might be the Menshevik party, or it might be any other party. The machinery there is just like our own city councils and our own state legislatures and our congresses here under our form of government. The party that invests it may be Republican, Democratic, or, if they get enough votes, Socialist. - So you get the difference between the Bolshevik party and the actual social control of the soviet structure, which is a genuine thing in my judgment and the only revolutionary binder in Russia.

*A. J. Sack, Director of the Russian Information Bureau in the United States: Anti-Soviet **

The Bolsheviks are camouflaging their régime with the terms "socialism" and "democracy." In truth, their régime is a caricature of these two great ideals. No one who knows the nature of socialism will ever consider the Bolsheviks as Socialists, and no one who knows the nature of democracy will consider the Bolsheviks as democrats. The Bolsheviks do not recognize the fundamental principle of democracy—the right of every member of society, men and women, to participate in the government. According to the so-called soviet constitution there are entire classes of the population which are excluded from the government. And I wish to call attention to the fact that this soviet constitution, undemocratic as it is, is still better than the practical application of this constitution to Russian life. The Bolsheviks have excluded from the government not only entire classes of the Russian population, but they have excluded all the political parties which are deposed by their régime—the Liberals, the Constitutional-Democratic party, the Social-Democrats, the Mensheviks, and the Socialist-Revolutionists. . . .

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Russia's salvation lies in the establishment of a stable democratic government through a Constituent Assembly freely chosen by the entire population on the basis of universal, direct, secret and equal suffrage. . . . The time has come, in my sincere opinion, when the American people must speak for the Russian democracy against those who have destroyed the new democratic institutions in Russia, who have dispersed the first All-Russian Constituent Assembly, and who are doing everything in their power to prevent the convocation of another Constituent Assembly.

Santeri Nuorteva, Secretary of the Bureau of the Representative in the United States of the Russian Socialist Federal Soviet Republic: Pro-Soviet

If space allowed, I could present official statistics of the industrial departments of the Russian Soviet Government which would prove that in spite of tremendous obstacles the Russian industries are running and that their output has been steadily increasing since April, 1918. . . . I admit, and by admitting it I am expressing the thoughts of our people in Russia, that the Soviet government can succeed only in as far as it is economically sound. We know that we can maintain our power and the structure of society which is in Russia to-day only in so far as we are able to deal with the realities of life. We are ready to take upon ourselves the responsibility of responsible relations with other countries. We know that we will not succeed unless we can prove that the system we represent in Russia, under given conditions, is economically the most efficient.

*Editorial: Tactics of the Soviet **

Whether the ideals of the Soviet Republic are of a character that can be tolerated by other governments is a question that turns mainly upon the forecasts we can form as to the solution of the problems of life and labor under communism. How will the Soviet Republic meet the requirement of organizing production efficiently? That consideration is crucial. Much more depends upon it than upon considerations of the present attitude of the Bolsheviki toward property, democracy or anything else. They have confiscated property and substituted dictatorship for democracy. That, to the amateur revolutionist, has often seemed almost the whole work of revolution. But Lenin and his followers recognize that these are merely initial destructive acts, without any justification except in

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so far as a new productive system can be substituted for that founded upon private property and a new political system expressive of the general will for that of constitutional democracy. It is easy to dissolve a Constituent Assembly if you have the guns. It is easy to take a factory or a mine away from its owner. What is difficult is to devise a new political scheme which will offer more direct control of government than the traditional democratic scheme. And it is still more difficult to make the factories and mines go on turning out products in sufficient volume to meet the people's needs. So strongly have earlier communistic thinkers been impressed by this difficulty that they have often counseled a return to the more primitive condition of the self-sufficing community. Let men live simply, work hard and take their compensation in the joys of community life. The Bolsheviki are guilty of no such evasion. They accept without reservation the requirement of substituting for the old order a new one in which the average man will have more goods and better goods, as well as a shorter working day and more decent working conditions. The mere redistribution of income will not achieve this end. Production must be made more efficient.

It may be said that after all this is not so difficult a task as it seems because production in Russia under the old order was notoriously inefficient. Sixty per cent of the Russian people were chronically under-fed. A larger proportion were miserably clad and lived in hovels unfit for brute beasts. Hours of labor were excessive and the physical conditions of employment abominable. Organized intelligence ought to be able to better such a situation. But in the long run communistic Russia, if it survives, must be able to meet comparisons not merely with the hideous old Russia so fondly regretted by the expatriated aristocrats, but also with the more enlightened "bourgeois" industrial states.

What brought western Europe and America to the present level of material welfare, as the Bolshevik leaders well know, being adepts at economic history, were mainly three forces, all of which the Soviet Republic proposes to dispense with. They are the practice of private thrift with the consequent accumulation of capital; the pursuit of profits, with the consequent intense application of intelligence to the problems of market organization and the utilization of improved processes of production; and pecuniary emulation in the non-property classes, which offered the means of labor discipline, such as we know it. Under the Bolshevik plan of organization no private individual will have any reason for practicing thrift, except to maintain a reserve of consumables and articles of personal use. Profits, though they may be admitted exceptionally in the period of transition, can have no place when the system is

under way. Also, during the period of transition, exceptional wages may be paid for exceptional service. But that equality of rewards is the definite ideal of the Bolsheviki is strikingly proved by the fact that the people's commissars, instead of wallowing in oriental luxury, as the anti-Bolshevik propaganda has charged, actually draw from the treasury no more than artisan's wages. They do not mean to gauge wages according to the importance of the work done.

What do the Bolsheviki intend to substitute for the economic motive forces they seek to eliminate? So far as thrift is concerned, the case is relatively simple. The Bolsheviki are taking their cue from modern corporate practice, which relates the accumulation of capital directly to the productive process. If the Steel Corporation wishes to establish a new plant it does not pass the hat among peanut venders and garment workers for small savings at five per cent. Instead, it dips a great scoop into its own current profits. A nationalized industry can do the same, provided it produces a surplus. Thus we are brought squarely to the problem of efficiency of production. What is the guarantee of efficiency, with profit taking and differential rewards for labor put out of the question?

Accounting will do the job, says Lenin. Every commune, every industrial plant, will keep accurate accounts of all operations. Thus it will be possible for the communistic administrators to tell at a glance where work is going on efficiently and where it is down at the heel. A commune which is getting small returns for its effort may address an inquiry as to methods to the communes that show extraordinary results. There will be no object as under a competitive régime in concealing the secrets of efficiency. Perhaps this idea also is derived from the practice of our American trusts. At any rate, in a well-managed trust, accounting, the sharing of information as to methods and emulation between units, lies at the basis of efficiency. But in the case of the American trusts there is another element that furnishes the motive power without which accountancy is only dead mechanism. That is the reward for efficiency, which may be dazzling. The head of a steel mill who can cut down the cost of steel a few cents a ton has a future before him. What has the Bolshevik plan to take the place of this incentive?

A consciousness of work well done; citation in the official bulletins, or something of the sort. But if that fails, as it may well do unless human nature is much more generous than most of us are willing to assume—what then? Compulsion; punishment. The writings of Lenin, it may be observed, are fairly bristling with ideas of penalties and compulsion. Communes that persist in turning in bad records are to be "blacklisted"; what that may mean in a world of close communistic organization it is uncomfortable to im-

agine. Individuals who fail to come up to standards are "loafers," "saboteurs," "traitors." There is compulsion enough under the "bourgeois" system, Heaven knows. Demotion and discharge are perennially suspended swords. But when you are demoted you still probably have a living; when you are discharged, you can find other employment, usually inferior. What would become of you under a system in which there were no lower grades for demotion, no other employments for a refuge? That is not all. Under the "bourgeois" system, if you fail to deliver the goods it is chiefly your own affair. You may be pitied or despised, but you are not loathed. Under a communistic system your lapses are everybody's affair. Is it not easy to conceive the growing up of a network of mutual interferences binding the whole personnel of industry together in a misery of irritation? Civilization has worked incessantly for æons trying to teach us to let one another alone, to respect one another's personality. What likelihood is there that this work would not be undone?

5. INDUSTRIAL DEMOCRACY

*Frank P. Walsh: The Responsibility of the Working-man.** Address before Conference on Demobilization, New York, Nov. 29-30, 1918

I shall not attempt to set forth all the principles [of the War Labor Board], but I shall refer to two of them, the declaration and operation of which might be gains which should be consolidated for times of peace. We declared, to begin with, that the right of workers to organize in trades unions and to deal collectively with their employers through their chosen representatives, was by this conference affirmed, and the denial, abridgment or interference with that right was forbidden during the period of the war—one fundamental provision being that there should be no strikes or lockouts during the war.

When it came to the application of the first principle we found there were employers in this country who denied that right; who claimed the privilege through the practical application of economic power to say that a free-born American citizen should *not* join a lawful organization and remain in his employment. So, at the very outset executive power had to be called upon, and the first concern which denied the application of these principles had to be reminded that the necessities of the government were so great that the instrumentality set up by the government in industry, as in the theater of war, would be respected even to the extent of taking over the industry which failed to comply with those principles. In drafting the first principle the word "employee" was not used, but the word "worker," something with a broader meaning, was substituted. It meant that the man might no longer be in the employ of that concern, but he still was a worker with a right to his job, and therefore a right to appeal to his government for justice. In the great labor disturbances it had become almost the custom when arbitration was demanded, either by the worker or by the suffering public, or by the government during the war, that the answer be: "These men are no longer in our employ; they left it voluntarily. We have to

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account in our business to no one except ourselves, and, therefore, there is no real plaintiff to present a claim in this case."

In using the word "worker" I hope that we recognize the property right that a human being has in his job. The only reason why a worker cannot discharge his employer if he acts improperly, why all the workers together cannot discharge their employer, is that he stands upon what is called his property right under the Constitution of the United States and the laws of this country and has a right to appeal to his government to prevent being deprived of it. Unless we construe the property rights spoken of in the United States Constitution, and particularly in the fourteenth amendment, to be only *large* property rights, the worker has a property right in his job. If he is in an isolated community and loses his job, it is easy to ascertain what he loses: He must go to another place to find work, surrender his home, take his family along, pay his railroad fare to the other place; he must perhaps put himself in debt for a long, long time and be compelled to pay a high rate of interest.

If a man is arbitrarily discharged from his work, he loses the time it takes him to get another job. It means, perhaps, that he has to move away from that community, and he has a property right in it. Furthermore, he has paid his taxes directly or through the rent which he has paid, and through that he has paid his share in all the public improvements in that community. If he is a religious man he has paid his contribution to his church, which is an immense consideration for the foreign-born workman in these communities. Maybe he has built a school for his children, or else contributed a tax for the public school. He loses more than that: he has established a reputation in that neighborhood and he has a credit which is as necessary to his life as the credit of a million dollars which his employer has at the bank, and based on the same considerations. If he is sick the corner grocer knows he is honest, and extends his credit so that he can live—just as an employer can establish his credit and carry his industry through times of stress or financial depression until better times come. To establish a basis of justice, therefore, we must recognize the property right a man has in his job.

If a man has a right to join a labor organization, it follows that he should be protected in that right; protected from consequences which are inimical to him and which flow from a discharge on account of the exercise of that right. So this board carefully inquired into every case of discrimination and wherever a man was found discharged for that reason, he was ordered returned to his employment with full pay for all the time he had lost. It was necessary in order to enforce this principle to take over one of the oldest and

best established plants in the United States, the operators of which refused to recognize it.

. . . I was impressed deeply by this idea that the workers of this country were not only taking a broader view of their own rights, but a much broader view of their own responsibilities. They were coming definitely to the conclusion that there was no reason for government except to protect the producing masses of the community; that this was the only reason why we went to the expense of a government. They were taking this view not in a narrow, contracted way, but believing that ideal and that spirit must extend to all, no matter how small the part they took in productive industry, whether they were employees or employers. They are beginning to see, and I am prepared to say also that if I were compelled as a worker to accept one of two autocrats, the autocrat in my own industry that I must contend with daily, perhaps educate every day, or the autocrat in a government department, I would take my own little made-to-order autocrat and wrestle it out with him. If we are to make that progress we hope to make, it must be through actual coöperation, and not by the granting of benefits from one side to the other as if it were a charity; not by the power that may exist for the moment, wresting something from the person on the other side, but by an absolute balancing of power. When the day comes that the power is absolutely balanced, then and not until then, shall we have a fair state, a state in which we shall all feel that we are coöperators, not only to advance the material interests of that particular government, but to push on the progress of this great race, which we all hope to see accomplished.

Woodrow Wilson: Message to Congress, May 20, 1919

The question which stands at the front of all others in every country amidst the present great awakening is the question of labor; and perhaps I can speak of it with as great advantage while engrossed in the consideration of interests which affect all countries alike as I could at home and amidst the interests which naturally most affect my thought, because they are the interests of our own people.

By the question of labor I do not mean the question of efficient industrial production, the question of how labor is to be obtained and made effective in the great process of sustaining populations and winning success amidst commercial and industrial rivalries. I mean that much greater and more vital question, how are the men and women who do the daily labor of the world to obtain progressive improvement in the conditions of their labor, to be made happier,

and to be served better by the communities and the industries which their labor sustains and advances? How are they to be given their right advantage as citizens and human beings?

We cannot go any further in our present direction. We have already gone too far. We cannot live our right life as a nation or achieve our proper success as an industrial community if capital and labor are to continue to be antagonistic instead of being partners; if they are to continue to distrust one another and contrive how they can get the better of one another, or what perhaps amounts to the same thing, calculate by what form and degree of coercion they can manage to extort on the one hand work enough to make enterprise profitable, on the other justice and fair treatment enough to make life tolerable. That bad road has turned out a blind alley. It is no thoroughfare to real prosperity. We must find another, leading in another direction and to a very different destination. It must lead not merely to accommodation but also to a genuine co-operation and partnership based upon a real community of interest and participation in control.

There is now in fact a real community of interest between capital and labor, but it has never been made evident in action. It can be made operative and manifest only in a new organization of industry. The genius of our business men and the sound practical sense of our workers can certainly work such a partnership out when once they realize exactly what it is that they seek and sincerely adopt a common purpose with regard to it.

Labor legislation lies, of course, chiefly with the States; but the new spirit and method of organization which must be effected are not to be brought about by legislation so much as by the common counsel and voluntary coöperation of capitalist, manager, and workman. Legislation can go only a very little way in commanding what shall be done. The organization of industry is a matter of corporate and individual initiative and of practical business arrangement. Those who really desire a new relationship between capital and labor can readily find a way to bring it about; and perhaps Federal legislation can help more than State legislation could.

The object of all reform in this essential matter must be the genuine democratization of industry, based upon a full recognition of the right of those who work, in whatever rank, to participate in some organic way in every decision which directly affects their welfare or the part they are to play in industry. Some positive legislation is practicable.

The Congress has already shown the way to one reform which should be world wide, by establishing the eight-hour day as the standard day in every field of labor over which it can exercise con-

trol. It has sought to find the way to prevent child labor, and will, I hope and believe, presently find it. It has served the whole country by leading the way in developing the means of preserving and safeguarding life and health in dangerous industries. It can now help in the difficult task of giving a new form and spirit to industrial organization by coördinating the several agencies of conciliation and adjustment which have been brought into existence by the difficulties and mistaken policies of the present management of industry, and by setting up and developing new Federal agencies of advice and information which may serve as a clearing house for the best experiments, and the best thought on this great matter, upon which every thinking man must be aware that the future development of society directly depends.

Agencies of international counsel and suggestion are presently to be created in connection with the League of Nations in this very field; but it is national action and the enlightened policy of individuals, corporations and societies within each nation that must bring about the actual reforms. The members of the committees on labor in the two houses will hardly need suggestions from me as to what means they shall seek to make the Federal Government the agent of the whole nation in pointing out and, if need be, guiding the process of reorganization and reform.

*Report of President's Mediation Commission to the
President of the United States Jan. 9, 1918, by*

*W. B. Wilson, Chairman, U. S. Secretary of Labor; Ernest P. Marsh,
Verner Z. Reed, Jackson L. Spangler, John H. Walker. Felix
Frankfurter, Secretary and Counsel; Max Lowenthal, Assistant
Secretary.*

Among the causes of unrest familiar to students of industry, the following stand out with special significance to the industrial needs of war:

(a) Broadly speaking, American industry lacks a healthy basis of relationship between management and men. At bottom this is due to the insistence by employers upon individual dealings with their men. Direct dealings with employees' organizations is still the minority rule in the United States. In the majority of instances there is no joint dealing, and in too many instances employers are in active opposition to labor organizations. This failure to equalize the parties in adjustments of inevitable industrial contests is the central base of our difficulties. There is a commendable spirit throughout the country to correct specific evils. The leaders

in industry must go further, they must help to correct the state of mind on the part of labor; they must aim for the release of normal feelings by enabling labor to take its place as a coöperator in the industrial enterprise. In a word, a conscious attempt must be made to generate a new spirit in industry.

(b) Too many labor disturbances are due to the absence of disinterested processes to which resort may be had for peaceful settlement. Force becomes too ready an outlet. We need continuous administrative machinery by which grievances inevitable in industry may be easily and quickly disposed of and not allowed to reach the pressure of explosion.

(c) There is a widespread lack of knowledge on the part of capital as to labor's feelings and needs, and on the part of labor as to problems of management. This is due primarily to a lack of collective negotiation as the normal process of industry. In addition there is but little realization on the part of industry that the so-called "labor problem" demands not only occasional attention but continuous and systematic responsibility, as much so as the technical or financial aspects of industry. . . .

*Herbert Croly: Progressive Democracy **

The alternative consists in the deliberate education of the wage earners for the position, which they must eventually assume, of being responsible as a group of self-governing communities for the proper organization and execution of the productive work of society. The attempt immediately to impose such a responsibility on the workers as a class would fail, as the various experiments which have already been made in self-governing workshops have sufficiently proved. The wage-earners must be gradually trained in industrial self-government and in that ability to keep their eye on their work, upon which industrial self-government must in the long run depend for its success.

The process of industrial education, like the process of political education, does not, however, consist primarily in going to school. It consists primarily in active effort on behalf of an increasing measure of self-government; and the only form which such active effort can take is that of fighting for its attainment. The independence of the wage-earners as a class would not amount to much, in case it was handed down to them by the state or by employers' associations. They must earn it in the same way that every modern nation has earned or protected its independence—that is, by warfare appropriate for the purpose. Their "Constitution of Freedom"

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must be gradually extorted from their employers by a series of conflicts in which the ground is skillfully chosen and permanent defeat is never admitted. In that way only can the wage-earning class win effective power, the devotion of its own members and the respect of its opponents. It requires for the purpose of this warfare a much more general and intense feeling of class consciousness and responsibility than it has at present, and a much more tenacious and enlightened class policy. Practically all of the wage-earners as a group should be unionized as the result of this warfare; and they should be unionized because of the substantial benefits which the unions were able to confer on their members.

This warfare, in so far as it was successfully conducted, would be educational in several different ways. The wage-earners would become actually less dependent on their employers and would have earned their independence. Their independence would be found to assume a definite legal form. They would obtain as the result of collective bargaining effective control over some of the conditions under which they worked. Their observation of the working of these agreements would give to them an increasing knowledge of the business and of the problems and difficulties of its management. Finally, their sense of fellowship with their classmates would be very much enhanced. They would learn the necessity of standing together, and of not allowing any differences in grades of employment to divide them one from another. All this would still be very far from a really democratic industrial system; but in so far as it was represented in definite agreements, it would assume the form of an industrial constitutionalism. The unions would gradually appropriate the function of criticizing and vetoing any action of the management of the business which vitally affected the welfare of employees either individually or as a whole.

In order, however, that either the winning or the operating of a system of industrial constitutionalism should be educational in the larger social meaning of the word as well as in a more limited class meaning, it would need the impulse of something more than a class ideal. Neither the workers nor society itself will ever be educated up to the necessary standards of industrial democracy merely as the result of a class struggle. The class struggle must be fertilized by an increasingly general understanding of the practical economic and moral value of democratizing industry, and of enabling the workers, within limits, to organize their work and determine its conditions and costs. A genuinely democratic industrial system, that is, must in part be born of the will to realize in industry a better ideal of human amelioration—of a conscious attempt to convert internally remunerative work into a source both of individual and social fulfill-

ment. This ideal must be freely accepted and patiently worked out by clear-sighted and resolute progressive democrats of all classes. Those who believe in it must take risks in its behalf. They must seek to put it into successful practice just as they would seek to introduce an approved labor-saving device into their business or an improved anæsthetic into surgical operations. For although the methods by which democracy is to be incorporated into the economic system are experimental, the ideal of humanizing industry by means of an increasing measure of self-government is as authentic as the process of civilization itself. The necessity of reorganizing modern industry for the purpose of liberating the workers, of making them responsible for the success of their work, and of securing and earning their loyalty, is a manifest inference from the very nature of social democracy.

*Reconstruction Program of the American Federation of Labor**

The program was drafted by the committee on reconstruction appointed by instruction of the conference of the American Federation of Labor, held at St. Paul, Minn., June 10 to 20, 1918, and has been endorsed by the executive council of the Federation.

The world war has forced all free peoples to a fuller and deeper realization of the menace to civilization contained in autocratic control of the activities and destinies of mankind.

It has caused a world-wide determination to overthrow and eradicate all autocratic institutions, so that a full measure of freedom and justice can be established between man and man and nation and nation.

It has awakened more fully the consciousness that the principles of democracy should regulate the relationship of men in all their activities

It has opened the doors of opportunity through which more sound and progressive policies may enter.

New conceptions of human liberty, justice, and opportunity are to be applied.

The American Federation of Labor, the one organization representing labor in America, conscious that its responsibilities are now greater than before, presents a program for the guidance of labor, based upon experience and formulated with a full consciousness of the principles and policies which have successfully guided American trade unionism in the past.

* From the *Monthly Labor Review*, March, 1919, pp. 64-66.

DEMOCRACY IN INDUSTRY

Two codes of rules and regulations affect the workers: The law upon the statute books and the rules within industry.

The first determines their relationship as citizens to all other citizens and to property.

The second largely determines the relationship of employer and employee, the terms of employment, the conditions of labor, and the rules and regulations affecting the workers as employees. The first is secured through the application of the methods of democracy in the enactment of legislation, and is based upon the principle that the laws which govern a free people should exist only with their consent.

The second, except where effective trade-unionism exists, is established by the arbitrary or autocratic whim, desire, or opinion of the employer and is based upon the principle that industry and commerce can not be successfully conducted unless the employer exercises the unquestioned right to establish such rules, regulations, and provisions affecting the employees as self-interest prompts.

Both forms of law vitally affect the workers' opportunities in life and determine their standard of living. The rules, regulations, and conditions within industry in many instances affect them more than legislative enactments. It is, therefore, essential that the workers should have a voice in determining the laws within industry and commerce which affect them, equivalent to the voice which they have as citizens in determining the legislative enactments which shall govern them.

It is as inconceivable that the workers as free citizens should remain under autocratically made law within industry and commerce as it is that the nation could remain a democracy while certain individuals or groups exercise autocratic powers.

It is therefore essential that the workers everywhere should insist upon their right to organize into trade-unions, and that effective legislation should be enacted which would make it a criminal offense for any employer to interfere with or hamper the exercise of this right or to interfere with the legitimate activities of trade-unions. . . .

CONCLUSION

No element in our Nation is more vitally concerned with the problems of making for a permanent peace between all nations than the working people. The opportunities now before us are without precedent. It is of paramount importance that labor shall be free and unhampered in shaping the principles and agencies affecting the wage earners' condition of life and work.

By the light that has been given to it the American Federation of Labor has attracted to its fold over three millions of wage earners and its sphere of influence and helpfulness is growing by leaps and bounds. By having followed safe and sound fundamental princi-

ples and policies, founded on freedom, justice, and democracy, the American trade-union movement has achieved successes of an inestimable value to the masses of toilers of our country. By adhering to these principles and policies we can meet all problems of readjustment, however grave in importance and difficult of solution, with a feeling of assurance that our efforts will be rewarded by a still greater success than that achieved in the past.

Given the whole-hearted support of all men and women of labor our organized labor movement with its constructive program, its love for freedom, justice, and democracy will prove the most potent factor in protecting, safeguarding, and promoting the general welfare of the great mass of our people during this trying period of reconstruction and all times thereafter.

The American Federation of Labor has attained its present position of dignity and splendid influence because of its adherence to one common cause and purpose; that purpose is to protect the rights and interests of the masses of the workers and to secure for them a better and a brighter day. Let us therefore strive on and on to bring into our organizations the yet unorganized. Let us concentrate our efforts to organize all the forces of wage earners. Let the Nation hear the united demand from the laboring voice. Now is the time for the workers of America to come to the stand of their unions and to organize as thoroughly and completely and compactly as is possible. Let each worker bear in mind the words of Longfellow:

In the world's broad field of battle,
In the bivouac of life,
Be not like dumb, driven cattle,
Be a hero in the strife.

Robert W. Bruere: Immediate Requirements

The most important immediate requirements, as I see them, are,—the national establishment of the minimum family wage for all adult workers, male and female; the extension of the principle of organization in industry, both on the side of the employers and the workers; the constitutionalizing of industry through the development of joint industrial councils on a national as well as upon a district and local community basis; and the addition to these councils, as to the staff of each manufacturing plant, of experts in human psychology whose entire business it should be to satisfy the healthy craving of the workers for decency, cleanliness and light in the places where they spend the greater part of their effective lives and

* Reprinted by permission from the *Annals of the American Academy of Political and Social Science*, Vol LXXXI, Whole No. 170, January, 1919. "A Reconstruction Labor Policy."

to inspire both employers and workers with the fundamental human worth of creative workmanship. When industry itself becomes the great school of creative workmanship and of service to mankind through production freed from the curse of sabotage as now practiced by employers quite as extensively as by wage workers, we may hope that labor unrest will begin to disappear.

*A. E. Zimmern: Nationality and Government**
(pp. 262-6)

Both industry and politics are faced by what in politics is called the constitutional problem and in industry the problem of management—that is, the question of who is to be ultimately responsible for the conduct of the work, and how that responsibility is to be exercised. In politics, so far as this and most Western countries are concerned, this problem of management has been decided in favor of democracy. The people as a whole have taken into their hands the ultimate responsibility for the conduct of public business, and entrust its direction to ministers or servants, who are responsible to the people for their acts and policy. In industry, however, the problem of management is still unsolved, or rather it has hitherto been decided in a direction averse to democracy. The manager in industry is not like the minister in politics; he is not chosen by or responsible to the workers in the industry, but chosen by and responsible to partners or directors or some other autocratic authority. Instead of the manager being the minister or servant and the men the ultimate masters, the men are the servants and the manager and the external power behind him the master. Thus, while our governmental organization is democratic in theory, and by the extension of education is continually becoming more so in practice, our industrial organization is built upon a different basis. It is an autocracy, but not an untempered autocracy. It may perhaps be described as autocracy modified by Trade Union criticism and interference and by parliamentary and administrative control.

To say that industry is carried on by methods of autocracy is not necessarily to impute the blame to those who are responsible for the system. It has yet to be proved that it can be carried on in any other way. Nay, more; it has yet to be shown that those who live under the system desire that it should be carried on differently. But the contrast between political democracy and industrial autocracy—between the workman as a free citizen and the workman as a wage-earner—is so glaring that it has become obvious that it cannot indefinitely continue in its present form. Men who have

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tasted what freedom and responsibility mean in one department of life are not likely to acquiesce in remaining mere irresponsible instruments of production in the industrial sphere. The problem of management, what I would call the constitutional problem in industry, the question as to how the industrial process shall be controlled, is already, and is likely to continue, the burning issue in industrial policy. Thus after our long excursion in the philosophy of politics we are brought back to the practical subject of this paper.

The problem of management is certain to become increasingly acute in the near future as a direct result of the war. Every one is agreed that the only way in which we can make good the losses of the war and meet the heavy charges incurred is by increasing our industrial efficiency. This involves not only working harder but improving the methods of organizing our work. This at once brings us up against the question of management. Broadly speaking, there are two schools of opinion, or two tendencies, on the subject of management. There is the tendency of those who would improve efficiency by concentrating knowledge and responsibility for workmanship in the hands of expert directors, and the policy of those who believe rather in the diffusion of responsibility among the workers. The first tendency is represented by the advocates, who propose, in Mr. Taylor's words, that "the management must take over and perform much of the work which is now left to the men," and desire "that there shall be a far more equal division of the responsibility between the management and the workman than exists under any of the ordinary types of management." If you read Mr. Taylor's book you will find that what he means by "a more equal division of the responsibility" is that the management is to do all the thinking and the workman all the toiling; that the scientific manager is to use his head and the workmen merely their arms and legs. This is autocratic rule with a vengeance; it takes one back to the days of slavery and of the Pyramids, or of those Assyrian reliefs in the British Museum where you may see scores of laborers harnessed like animals toiling for the Great King. To use the workman's arms and legs and to ignore that he has a brain is to ruin him as a craftsman and to degrade him as a man. . . .

. . . Mr. Taylor and his associates may be perfectly right when they are talking of improved tools, it is when they are discussing the government of men that they are at fault. We in this country, if we believe in democracy, are compelled to look for the solution of the problem of management in the opposite direction—not in the management encroaching on the brainwork of the men, but in the men being more closely associated with the management, understanding its difficulties, discussing its problems, and sharing

its responsibilities. Our policy must be, not to make output mechanically perfect by turning the workman himself into a mere machine, but to make our organization scientific in the widest sense by the voluntary and harmonious cooperation of all the human factors concerned. It is along this road, and no other, that we shall reach the industrial democracy of the future, towards which the English industrial idealists of the nineteenth century—Ruskin, William Morris, and John Stuart Mill—were bold enough to point the way.

Industrial democracy is a big word. Let us try to bring it down from the clouds. What sort of organization does it mean in actual practice? First, let us make clear what it does not mean. It does not mean handing over the control of matters requiring expert knowledge to a mass of people who are not equipped with that knowledge. Under any system of management there must be division of labor; there must be those who know all about one subject and are best fitted to deal with it. Democracy can be just as successful as any other form of government in employing experts. Nor does democratic control, in the present stage at any rate, involve a demand for control over what may be called the commercial side of management—the buying of the raw material, the selling of the finished article, and all the exercise of trained judgment and experience that are brought to bear by business men on these questions. I do not mean to say that workpeople are constitutionally incapable, as some employers seem to believe, of running a business. The existence of the cooperative movement is a sufficient answer on that point. Some day the Trade Union movement may follow the example of the coöperative movement and go into business—possibly on rather different lines from what is considered business to-day—but at present at any rate the workers' demand for democratic control is not a demand for a voice in the business, but for control over the conditions under which their own daily work is done. It is a demand for control over one side, but that the most important side because it is the human side, of the industrial process.

*William Leavitt Stoddard: The Shop Committee—
Some Implications**

Apparently quite out of the cloudiest of skies and the most vacant of national minds comes suddenly a burst of discussion on the shop committee. The chorus is joined by the reconstruction committee of Catholic Bishops, by the inquiring United States Chamber of Commerce and the Industrial Conference Board, by

* Reprinted by permission from *The Dial*, July 12, 1919, pp. 7-8.

thousands of Methodist pastors and communicants, by the Federal Council of Churches of Christ, by numerous savants in the untrodden field of industrial relations, and lastly by converted employer after employer. Somehow we do not hear much of enthusiastic expression from labor, organized or unorganized. The apostles and prophets of industrial democracy hail mainly from the side of management or from the general public.

Let us at the start define. By shop committee movement we mean the movement toward a sharing of control of industry to large or small extent through the instrumentality of variously constituted joint committees of employer and employee in the local shop as well as in the industry outside the local shop or factory plant. The shop committee movement thus includes the whole program explained and promoted in the classic British documents of the movement, the Whitley and Garton Foundation reports. In America the documents are few. The best official paper is the Wolfe report published by the United States Shipping Board, frankly a "follow-up" of the British plans.

Regarded physically, the shop committee in all its forms is a system of industrial government. It may arise either as a concession wrung from capital by a convincing show of labor's power, or as a bestowal of enlightened capital, honestly seeking to weather the coming storm. Its implications are manifold and include considerations of trade unionism, industrial unionism, intensive labor organization, management pure and simple, and ever and always the development of collective bargaining from the point of agreeing to bargain about such elementary questions as sanitation, to agreeing to discuss an entire business, with the secret books of profit thrown open—and the office force unionized.

In other words the shop committee movement is nothing or everything.

Narrowing the discussion down to the shop committee movement as applied to the individual plant, it is a significant fact that up to the time the United States Government began to foster shop committees as a war measure, most of the important systems established prior to 1918 came directly on the heels of bitter labor wars. A notable illustration of this tendency is the so-called Colorado plan, set up by Rockefeller after machine guns had failed to maintain the production of coal and iron. Others might be instanced. Most of the shop committee systems in American factories, again, have been installed either as a weapon against the union or as a substitute for the union. This also is a significant fact, though officially the shop committee movement is neutral on the union question.

In form the shop committee is widely various. We may trace the beginnings of certain types of shop committee systems. There is, for example, the type which gives employees elected representatives in the proportion of one to every hundred or hundred and fifty employees, largely irrespective of craft. There is the type which is founded on the United States Government, consisting of a house, composed of employee representatives, a senate, composed of foremen, and a cabinet composed of the executive staff with the manager as president. There is the type which gives more complete representation to craft. There are combinations of these types. In each type runs the principle that the elected representatives of the employees must be elected secretly by the employees of the particular plant, in the plant, and solely as of the plant. All the types thus briefly described may be benevolently handed down, ready-made, by the management, or they may be devised in honest, open conference by men and management, acting jointly. There are also patent shop committee systems, sold by industrial experts, and guaranteed to do away with agitators and to lift profits to unheard of percentages.

The details of the actual machinery of a shop committee system in a factory need not concern us at this moment. They are indeed vital, but they can have no vitality whatever unless before the moment of creation there is on both sides the right spirit. The employer should have the desire to treat with his employees collectively, irrespective of union affiliation, and he ought to be awake to the fact that the time has come when employers must no longer oppose, but must rather assist, the birth of the new industrial age. The employee should have the sense to see that something is better than nothing and that however much it may be the object of a specific management to bolster up an outworn business code or to sign a peace treaty on such terms that peace is unstable, almost any shop committee organization gives him a position from which he may—*may*—move the world.

Cyrus McCormick, Jr., is quoted as saying lately:

What the workingman is asking for, and what we are trying to give him, is a voice in the control of the business in which he is a co-partner. This demand has taken on various forms in different places. In Russia and elsewhere on the European continent it is known as Bolshevism; in England they call it the Whitley plan; elsewhere it may be called employees' representation, and somewhere else co-partnership. Under all of these, however, it is the basic fact that the relationships between employer and employee must be founded on something else than a cash bond. . . . With every one of our hitherto most guarded

ledgers open to these men, we believe that they would see the facts as clearly as we saw them. . . . Don't attempt any fraternalism.

Mr. McCormick is further quoted as expressing his regret that the Harvester Council plan was not worked out in joint conference between his employees and his executives, but was handed down by the corporation. His views are those of the enlightened and enlightening employer of to-day. They are radically advanced over the views of employers of the ante-war days.

When we come to look at the small beginnings of the industrial council branch of the shop committee movement in the United States we find that, as in the shop committee branch strictly so called, the Government during the period of active hostilities made several attempts to form such joint-action agreements, but had rather less success than met its efforts to inspire shop committee systems. In the last few weeks the allied printing trades for one, and the building trades for another, have voted on joint council schemes which were worked out by the collaboration of representatives of the international Unions interested and representatives of the masters' associations. This, then, is a more natural and self-determining growth than the simple shop committee, formulated in the bulk and mainly promoted by the employers. It is the natural combination of labor and capital, inspired by a willingness to clear out the underbrush, so to speak, which bothers the feet of both, and inspired also by the accompanying hope that such clearance of the ground will make for less unimportant bickering, and—as labor looks at it—for fairer and better fighting about essentials.

It is evident that the implications of such a movement are of the utmost importance. An obvious fear is lest it be some subtle scheme of capital the further to subjugate labor. An equally obvious fear—I speak now from knowledge of the employer's psychology and prejudice—is that in some underhanded way the shop committee is designed to deliver over capital to the talons of labor. Were not these phobias real, we could dismiss them as silly. In the long run, discounting small errors of judgment and purpose, the shop committee is exactly what it seems to be, mainly a simple, open, and practicable method of collective bargaining which will become nothing but advanced welfare work if one side or the other lags in its duty, and which can become an amazingly useful instrument to prepare the way for an advance in the condition and status of labor, educationally and economically.

In so far as the shop committee movement is being used by employers to cut in under the union movement, whether trade or industrial, it is doomed to failure. I have noted that in specific in-

stances it originated in an anti-union mood. Fundamentally the shop committee is unionism. It is based on the theory of collective action. It advances a more intensive kind of collective action than the usual trade union offers. Striking evidence of this is the fact that the shop committee movement in England is largely an insurgent movement within the trade union movement, colored by antagonism both to slow trade union methods and to an over-strict adherence to craft independence. Ideally as well as in practice, the shop committee favors direct collective dealing by workers in an industrial unit with employers in the same unit. While it is too young to give us a firm ground for prediction, it is at least safe to say that if it is understood and backed by the national organized labor movement, labor has from it much to gain. In fact the main weakness of the shop committee in this country to-day is that the larger labor movement is suspiciously holding off.

One might draw an analogy between the history of the Taylor efficiency scheme in the United States and in Russia. Here labor fights it as labor fought the introduction of machinery—an instinctive recoil from a device of production possessed solely by employers and controlled non-collectively by employers. In Russia, the Soviet Government is out-Tayloring Taylor by attempting to utilize efficiency in the interests of the entire industrial world instead of in the interests of a small if important fraction thereof.

We may expect to have the shop committee with us from now on permanently. Its vigor and utility depend on both the degree and the character of labor organization. The risk is that it will be paternalized or fraternalized and thus ruined. This risk is deemed worth running by those who hope that an industrial revolution can be accomplished here without undue bloodshed.

*Louis D. Brandeis: Right to Share Responsibility **

Unrest, in my mind, never can be removed, and fortunately never can be removed, by mere improvement of the physical and material condition of the workingman. If it were we should run great risk of improving their material condition and reducing their manhood. We must bear in mind all the time that however much we may desire material improvement and must desire it for the comfort of the individual, that we are a democracy; and that we must have, above all things, men; and it is the development of manhood to which any industrial and social system must be directed. We are committed not only to social justice in the sense of avoiding things which bring suffering and harm and unequal

* Final report Federal Commission on Industrial Relations.

distribution of wealth; but we are committed primarily to democracy, and the social justice to which we are headed is an incident of our democracy, not an end itself. It is the result of democracy, but democracy we must have. And therefore the end to which we must move is a recognition of industrial democracy as the end to which we are to work, and that means this: It means that the problems are not any longer, or to be any longer, the problems of the employer. The problems of his business—it is not the employer's business. The union can not shift upon the employer the responsibility for the conditions, nor can the employer insist upon solving, according to his will, the conditions which shall exist; but the problems which exist are the problems of the trade; they are the problems of employer and employee. No possible degree of profit-sharing, however liberal, can meet the situation. That would be again merely dividing the proceeds of business. That might do harm or it might do good, dependent on how it is applied.

No mere liberality in the division of the proceeds of industry can meet this situation. There must be a division not only of the profits, but a division of the responsibilities; and the men must have the opportunity of deciding, in part, what shall be their condition and how the business shall be run. They also, as a part of that responsibility, must learn that they must bear the results, the fatal results, of grave mistakes, just as the employer. But the right to assist in producing the results, the right, if need be, the privilege of making mistakes, is a privilege which cannot be denied to labor, just as we must insist on their sharing the responsibility for the result of the business.

Meyer Bloomfield: Management and Men *
(pp. 30, 66, 98)

The war has shown in Great Britain the vastness of the slack or reserve energy which can be used for the national need. The repair of the deteriorated or damaged fabric of industry, the furnishing of new capital for expanded ventures in foreign trade, modernizing industrial plants, new taxation burdens of the war legacy, the high rate of interest which must prevail—these things will make it impossible to continue the level of real wages and standard of comfort which have reached down to classes formerly quite submerged in the scale of industry, without a very large increase in the aggregate product. Labor and capital are busy with solutions of this huge problem. Never before have groups of industrial captains and representatives of workmen been so much in conference as they are

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during these days. They are busy sizing up the problem and laying down the rules of the game. Both sides have learned lessons of value out of their war experience. They accept the proposition of more and better work, a larger use of the man power of the country, better organization and discipline of the labor forces, more enterprise and wisdom on the part of managers and employers, a larger application of science to industry, better industrial training—these are the topics they confer about, knowing that to settle these matters is to assure the production which alone means prosperity for all. . . .

. . . The big production which every manufacturer is looking forward to will have in view the big fact that confidence between management and men is the only lasting foundation on which to get results. More output and more mutual confidence will go hand in hand. There is no question in any quarter that increased efficiency must come soon. It is under way right now. Both the volume and the quality of output are considerations in every program of the merchant and manufacturer.

To get this result industrial leaders are looking in the direction of improving the organization and its personnel, of eliminating waste and friction, and most important of all, of giving enough attention to the problem of increasing of opportunities of cooperation between management and men. The best employers here appreciate the fact that raising the level of productive capacity is finally a question of improving the conditions under which the work is done and the spirit in which the parties concerned carry on under the same roof. There has been far too great a sacrifice during an eternity of the war period, and both this country and the world in general are too sorely in need of recuperation for much patience with the slacker—the moral slacker as well as the industrial slacker. And a moral slacker is a man who will not play the game according to the new rules and the new ideals of industrial team play. . . .

Industry is at bottom a problem in man power. That problem is big enough to call for every ounce of intelligence and force latent and active not only in the managing staff but in the anonymous rank and file. How to pool for the good of industry, and of those who work in it, all that scattered, sometimes discordant and generally too little used human power, is the big problem before those who are looking ahead.

Address before Conference on Demobilization, November 29-30, 1918. Felix Frankfurter, Chairman, War Labor Policies Board.

I think the very restless condition of American industry to-day and the limitations of the labor movement are due to the fact that all these years the energies of the American labor movement have been absorbed in a continual fight to establish a principle that should be an accepted commonplace, namely, the legitimacy of labor organization. The unions still must fight for their life instead of being a recognized social instrument tested by their contributions to the community as a whole. Not until they are generously and frankly recognized as having a rightful place in our national life will the leaders of labor have time and energy to give to the solution of the difficult social and industrial problems with which organized labor should concern itself.

President Taft said the other day, in effect, that the time has come to recognize labor organization as an essential and beneficial institution. If that recognition could be made by opinion throughout the country, if the fighting spirit imposed by capital upon labor were withdrawn, then we could proceed to the question which this conference raises, namely: How shall we release the energies of the masses of the people who are workers, so that our civilization shall not only remove the sores and injustices which infest it, but shall be something fit and adequate for democracy? But our traditions of *laissez faire* are tenacious. The direct participation of government is likely to be a meager one in the next few years. The dominant hope, to one who has watched as closely as he could, is not in government, but in the consensus of public opinion that must assert itself in industry. For here is the fundamental evil in our social life which needs correction: the basic recognition which must be made is that all the ills with which we have to deal throughout the country—bad housing, lack of protection for child life, and all the other things which go to make the conditions which social workers know of—are in largest measure due to faulty organization of industry, a wrong conception of industry's relation to society.

What American business needs is a substitution of the processes of law and order for the present oscillation between anarchy and autocracy by which it is too largely governed. But not the "law" of an imposed will, and the "order" of the police club. Not until we realize that a copper camp is a community and that a factory makes the same demand upon its people as our political institutions, not until we constitutionalize industry shall we approach aright our

industrial questions. Not until American industry realizes that the problems are too vast and too intricate to be dealt with only by looking at one side, not until management realizes that the labor movement is essentially not a "belly movement," but a movement for the assertion of personality, and the workman recognizes that industry is a complicated organism, shall we see the light. That will not come until in industry we introduce those principles of representative constitutional government which have been worked out in England and America for three hundred years. Not until workers and managers, by consultation and understanding, acquire reciprocal understanding and reciprocal discipline, and deal with the problems which concern both, not until those principles which we have proved and tested and established in our political life are transferred, with the necessary adaptation to our industrial life, can we really deal with any permanence with the questions which the war has left as legacies to social agencies and the country at large.

VIII. INDUSTRIAL DOCTRINES IN DEFENSE OF THE STATUS QUO

I. THE ECONOMIC MAN

Walter Lippmann: Drift and Mastery * (pp. 27-31,
45-9)

NEW INCENTIVES

WE say in conversation: "Oh, no, he's not a business man,—he has a profession." That sounds like an invidious distinction, and no doubt there is a good deal of caste and snobbery in the sentiment. But that isn't all there is. We imagine that men enter the professions by undergoing a special discipline to develop a personal talent. So their lives seem more interesting, and their incentives more genuine. The business man may feel that the scientist content with a modest salary is an improvident ass. But he also feels some sense of inferiority in the scientist's presence. For at the bottom there is a difference of quality in their lives,—in the scientist's a dignity which the scramble for profit can never assume. The professions may be shot through with rigidity, intrigue, and hypocrisy: they have, nevertheless, a community of interest, a sense of craftsmanship, and a more permanent place in the larger reaches of the imagination. It is a very pervasive and subtle difference, but sensitive business men are aware of it. They are not entirely proud of their profit-motive: bankers cover it with a sense of importance, others mitigate it with charity and public work, a few dream of railroad empires and wildernesses tamed, and some reveal their sense of unworthiness by shouting with extra emphasis that they are not in business for their health.

It is a sharp commentary on the psychological insight of the orthodox economist who maintains that the only dependable motive is profit. Most people repeat that—parrot-fashion, but in the rub they don't act upon it. When we began to hear recently that radium might subdue cancer, there was a fairly unanimous demand that the small supply available should be taken over by the government and removed from the sphere of private exploitation. The fact is that men don't trust the profiteer in a crisis, or wherever the interest at stake is of essential importance. So the public regards a professor

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on the make as a charlatan, a doctor on the make as a quack, a woman on the make as an adventuress, a politician on the make as a grafter, a writer on the make as a hack, a preacher on the make as a hypocrite. For in science, art, politics, religion, the home, love, education,—the pure economic motive, profiteering, the incentive of business enterprise is treated as a public peril. Wherever civilization is seen to be in question, the Economic Man of commercial theorists is in disrepute.

I am not speaking in chorus with those sentimentalists who regard industry as sordid. They merely inherit an ancient and parasitic contempt for labor. I do not say for one instant that money is the root of evil, that rich men are less honest than poor, or any equivalent nonsense. I am simply trying to point out that there is in every-day life a widespread rebellion against the profit motive. That rebellion is not an attack on the creation of wealth. It is, on the contrary, a discovery that private commercialism is an antiquated, feeble, mean, and unimaginative way of dealing with the possibilities of modern industry.

The change is, I believe, working itself out under our very eyes. Each day brings innumerable plans for removing activities from the sphere of profit. Endowment, subsidy, state aid, endless varieties of consumers' and producers' cooperatives; public enterprise—they have been devised to save the theater, to save science and invention, education and journalism, the market basket and public utilities from the life-sapping direction of the commercialist. What is the meaning of these protean efforts to supersede the profiteer if not that his motive produces results hostile to use, and that he is a usurper where the craftsman, the inventor and the industrial statesman should govern? There is no sudden substitution of sacrifice for selfishness. These experiments are being tried because commercialism failed to serve civilization: the cooperator intrenched behind his wiser organization would smile if you regarded him as a patient lamb on the altar of altruism. He knows that the old economists were bad psychologists and superficial observers when they described man as a slot machine set in motion by inserting a coin.

It is often asserted that modern industry could never have been created had it not been given over to untrammelled exploitation by commercial adventurers. That may be true. There is no great point in discussing the question as to what might have happened if something else had happened in the past. Modern industry was created by the profiteer, and here it is, the great fact in our lives, blackening our cities, fed with the lives of children, a tyrant over men and women, turning out enormous stocks of produce, good, bad, and horrible. We need waste no time arguing whether any other motive

could have done the work. What we are finding is that however effective profit may have been for inaugurating modern industry, it is failing as a method of realizing its promise. That is why men turned to coöperatives and labor unions; that is why the state is interfering more and more. These blundering efforts are the assertion of all the men and all those elements of their natures which commercialism has thwarted. No amount of argument can wipe out the fact that the profit-system has never commanded the whole-hearted assent of the people who lived under it.* There has been a continuous effort to overthrow it. From Robert Owen to John Stuart Mill, from Ruskin through Morris to the varied radicalism of our day, from the millionaire with his peace palaces to Henry Ford with his generous profit-sharing, through the consumer organizing a co-operative market, to the workingmen defying their masters and the economists by pooling their labor, you find a deep stream of uneasiness, of human restlessness against those impositions which are supposed to rest on the eternal principles of man's being. . . .

The real news about business, it seems to me, is that it is being administered by men who are not profiteers. The managers are on salary, divorced from ownership and from bargaining. They represent the revolution in business incentives at its very heart. For they conduct gigantic enterprises and they stand outside the higgling of the market, outside the shrewdness and strategy of competition. The motive of profit is not their personal motive. That is an astounding change. The administration of the great industries is passing into the hands of men who cannot halt before each transaction and ask themselves: what is my duty as the Economic Man looking for immediate gain? They have to live on their salaries, and hope for promotion, but their day's work is not measured in profit. There are thousands of these men, each with responsibilities vaster than the patriarchs of industry they have supplanted. It is for the commercial theorists to prove that the "ability" is inferior and talent less available.

It is no accident that the universities have begun to create graduate schools of business-administration. Fifty years ago industry was an adventure or perhaps a family tradition. But to-day it is becoming a profession with university standing equal to that of law, medicine, or engineering. The universities are supplying a demand. It is big business, I believe, which has created that demand. For it is no longer possible to deal with the present scale of industry if your only equipment is what men used to call "experience," that is, a haphazard absorption of knowledge through the pores. Just as it is no longer possible to become a physician by living with doctors, just as law cannot be grasped by starting as a clerk in some

attorney's office, so business requires a greater preparation than a man can get by being a bright, observant, studious, ambitious office boy, who saves his money and is good to his mother.

What it will mean to have business administered by men with a professional training is a rather difficult speculation. That it is a very far-reaching psychological change, I have no doubt. The professions bring with them a fellowship in interest, a standard of ethics, an esprit de corps, and a decided discipline. They break up that sense of sullen privacy which made the old-fashioned business man so impervious to new facts and so shockingly ignorant of the larger demands of civilized life. I know that the professions develop their pedantry, but who was ever more finicky, more rigid in his thinking than the self-satisfied merchant? It would be idle to suppose that we are going suddenly to develop a nation of reasonable men. But at least we are going to have an increasing number of "practical" men who have come in contact with the scientific method. That is an enormous gain over the older manufacturers and merchants. They were shrewd, hard-working, no doubt, but they were fundamentally uneducated. They had no discipline for making wisdom out of their experience. They had almost no imaginative training to soften their primitive ambitions. But doctors and engineers and professional men, generally, have something more than a desire to accumulate and outshine their neighbors. They have found an interest in the actual work they are doing. The work itself is in a measure its own reward. The instincts of workmanship, of control over brute things, the desire for order, the satisfaction of services rendered and uses created, the civilizing passions are given a chance to temper the primal desire to have and to hold and to conquer.

*Woodrow Wilson: Message to Congress**

So far as our domestic affairs are concerned the problem of our return to peace is a problem of economic and industrial readjustment. That problem is less serious for us than it may turn out to be for the nations which have suffered the disarrangements and the losses of war longer than we. Our people moreover do not wait to be coached and led. They know their own business, are quick and resourceful at every readjustment, definite in purpose, and self-reliant in action. Any leading strings we might seek to put them in would speedily become hopelessly tangled because they would pay no attention to them and go their own way. All that we can do as their legislative and executive servants is to mediate the process of change

* Reprinted from the *Official U. S. Bulletin*, Committee on Public Information, Vol. 2, No. 477, Dec. 2, 1918.

here, there, and elsewhere as we may. I have heard much counsel as to the plans that should be formed and personally conducted to a happy consummation, but from no quarter have I seen any general scheme of "reconstruction" emerge which I thought it likely we could force our spirited business men and self-reliant laborers to accept with due pliancy and obedience.

While the war lasted we set up many agencies by which to direct the industries of the country in the services it was necessary for them to render, by which to make sure of an abundant supply of the materials needed, by which to check undertakings that could for the time be dispensed with and stimulate those that were most serviceable in war, by which to gain for the purchasing departments of the government a certain control over the prices of essential articles and materials, by which to restrain trade with alien enemies, make the most of the available shipping, and systematize financial transactions, both public and private, so that there would be no unnecessary conflict or confusion, by which, in short, we put every material energy of the country in harness to draw the common load and make of us one team in the accomplishment of a great task. But the moment we knew the armistice to have been signed we took the harness off. Raw materials upon which the government had kept its hand for fear there should not be enough for the industries that supplied the armies have been released and put into the general market again. Great industrial plants whose whole output and machinery had been taken over for the uses of the government have been set free to return to the uses to which they were put before the war. It has not been possible to remove so readily or so quickly the control of foodstuffs and of shipping, because the world has still to be fed from our granaries and the ships are still needed to send supplies to our men overseas and to bring the men back as fast as the disturbed conditions on the other side of the water permit; but even there restraints are being relaxed as much as possible and more and more as the weeks go by.

Never before have there been agencies in existence in this country which knew so much of the field of supply, of labor, and of industry as the War Industries Board, the War Trade Board, the Labor Department, the Food Administration, and the Fuel Administration have shown since their labors became thoroughly systematized; and they have not been isolated agencies; they have been directed by men which represented the permanent Departments of the Government and so have been the centers of unified and co-operative action. It has been the policy of the Executive, therefore, since the armistice was assured (which is in effect a complete submission of the enemy) to put the knowledge of these bodies at the

disposal of the business men of the country and to offer their intelligent mediation at every point and in every matter where it was desired. It is surprising how fast the process of return to a peace footing has moved in the three weeks since the fighting stopped. It promises to outrun any inquiry that may be instituted and any aid that may be offered. It will not be easy to direct it any better than it will direct itself. The American business man is of quick initiative.

2. THE PARTNERSHIP OF CAPITAL AND LABOR

*John D. Rockefeller, Jr.: Industrial Creed**

If the points which I have endeavored to make are sound, might not the four parties to industry subscribe to an Industrial Creed somewhat as follows?

1. I believe that Labor and Capital are partners, not enemies; that their interests are common, not opposed; and that neither can attain the fullest measure of prosperity at the expense of the other, but only in association with the other.

2. I believe that the community is an essential party to industry and that it should have adequate representation with the other parties.

3. I believe that the purpose of industry is quite as much to advance social well-being as material prosperity; that, in the pursuit of that purpose, the interests of the community should be carefully considered, the well-being of employees fully guarded, management adequately recognized and capital justly compensated, and that failure in any of these particulars means loss to all four parties.

4. I believe that every man is entitled to an opportunity to earn a living, to fair wages, to reasonable hours of work and proper working conditions, to a decent home, to the opportunity to play, to learn, to worship and to love, as well as to toil, and that the responsibility rests as heavily upon industry as upon government or society, to see that these conditions and opportunities prevail.

5. I believe that diligence, initiative and efficiency, wherever found, should be encouraged and adequately rewarded, and that indolence, indifference and restriction of production should be discountenanced.

6. I believe that the provision of adequate means of uncovering grievances and promptly adjusting them, is of fundamental importance to the successful conduct of industry.

7. I believe that the most potent measure in bringing about industrial harmony and prosperity is adequate representation of the

* Reprinted by permission from an address before the War Emergency and Reconstruction Committee of the Chamber of Commerce of the United States, Dec. 5, 1918.

parties in interest; that existing forms of representation should be carefully studied and availed of in so far as they may be found to have merit and are adaptable to conditions peculiar to the various industries.

8. I believe that the most effective structure of representation is that which is built from the bottom up; which includes all employes, which starts with the election of representatives and the formation of joint committees in each industrial plant, proceeds to the formation of joint district councils and annual joint conferences in a single industrial corporation, and admits of extension to all corporations in the same industry, as well as to all industries in a community, in a nation, and in the various nations.

9. I believe that the application of right principles never fails to effect right relations; that "the letter killeth but the spirit giveth life"; that forms are wholly secondary, while attitude and spirit are all important; and that only as the parties in industry are animated by the spirit of fair play, justice to all and brotherhood, will any plan which they may mutually work out succeed.

10. I believe that that man renders the greatest social service who so co-operates in the organization of industry as to afford to the largest number of men the greatest opportunity for self-development and the enjoyment of those benefits which their united efforts add to the wealth of civilization.

*Stephen C. Mason, President of the National Association of Manufacturers: How American Manufacturers View Employment Relations **

It is unfortunate that in all the discussion emanating from the representatives of organized wage-earners relating to industrial standards after the war, "new rights and advantages" for labor are the principal and practically the only topics upon which stress is laid. Much has been heard about the "better times" alleged to be labor's proper reward by reason of "sacrifices" which it is announced were made by the organized groups during the war.

With no desire to belittle the loyalty of the great mass of the workers of the United States, without reference to organizations, it seems the fact has escaped notice that American labor cannot actually hope either to attain, retain or maintain any existing or future "new rights and advantages," unless such privileges are truly connected with public necessity and welfare and shared in by American

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employers as well as employees. No benefit or advantage can accrue to the employe that does not come from a healthy, successful and expanding industry.

The overwhelming majority of the manufacturers in this country are firm in their belief that absolutism on the part of the employe is just as bad for the general welfare of the nation as absolutism on the part of the employer. The National Association of Manufacturers is confident that, left to themselves without the irritations, exaggerations and agitations of a comparatively small group of individuals, the workers and employers of the United States would readily find a common and equitable basis on which properly to meet every present and future need.

It is essential, however, in order to provide a more healthful atmosphere in the industrial world, and to ensure the success of the effort to reach and maintain a common ground, that the partners in industry—the wage-earners and wage-payers—be given the benefit of constructive, legitimate and impartial encouragement from the government, and a healthy, well-informed public opinion.

Any organization which sets for itself the task, or any part of the task, of creating or sustaining an artificial or abnormal economic condition in American industry is certainly not working for the true and proper interests of its members. It is wasting its time, inviting destruction and running directly counter to public welfare.

In America to-day we hold the great responsibility of providing example for the rest of the world. Confusions and iniquities which have developed in our American industries during the hustle and bustle of waging war on a modern scale should be and will be eliminated in good time. We must lend our every effort to avoid bitterness, acrimony, calamity-howling or whining. Nothing is to be gained by either side, if there are sides, through cultivation or promotion of misunderstandings. We must be mindful of public tension and public interest in approaching and working out our problems of industrial readjustment.

No manufacturer has or seeks to exercise any rights or privileges which any other American citizen may not have or seek to exercise. In readjusting our industries to a new and proper basis for the work of reconstruction and peace no part of our industrial forces can be asked or expected to give up "advantages" to which it is properly or legitimately entitled. The true measure of so-called industrial advantage, in our opinion, is nothing more or less than a question of public welfare and the national good. No man or group of men has any right to attempt to defend an uneconomic industrial condition when every reason that brought about the abnormal condition has been eliminated.

The National Association of Manufacturers stands firmly for the spirit of patriotic industrial co-operation and good will in the working out of readjustment problems. In time of our national emergency, during the progress of hostilities in France, there was born in our American industrial relations the more general realization that co-operation between employers and employes was a patriotic duty and a privilege, for the nation's safety and prosperity, as well as a good business policy. Distinctly recognizing this important fact, the organized employers of the United States have long since been urging, favoring and pledging that spirit of common interest in our industrial affairs which the war fostered so greatly among all citizens concerning national duty.

The National Association of Manufacturers, as a body, represents practically every important industry in the United States. Its membership of more than 4,000 is found in every state, and its activities, since its inception at Cincinnati, Ohio, in 1895, have been directly connected with the vital industrial affairs of the nation. Manufacturers within its ranks have contributed very largely to the remarkable progress of America, during which the gross value of the industrial output of the entire country, as measured by census reports, has risen from one billion dollars in 1850 to eleven billions in 1899, twenty-four billions in 1914 (the last normal year) and, considering the very rapid rise in monetary values during the past four years, may be estimated to have doubled the last amount in 1918. Several years ago the annual output of the manufacturing industries of the United States began to exceed in money value the combined annual output of any other two nations of the earth; and the factory production of the members of the National Association of Manufacturers, alone, began to exceed the value of the total annual production of any single foreign nation.

As the president of the Association, therefore, I consider it not only a privilege but a duty to give, as briefly as possible, an accurate account of the nature, scope and purposes of an organization which has grown to be the largest national association in the world whose active membership is wholly made up of manufacturing establishments representing every phase of industry. A clearer understanding and wider appreciation of the spirit of the organization, of the American manufacturer's attitude, and the principles animating the work of the National Association of Manufacturers, may be had by considering and interpreting separately its Declaration of Labor Principles.

(1) Fair dealing is the fundamental and basic principle on which relations between employes and employers should rest.

In this statement we have put tersely our firm belief that fair

dealing in industrial relations is not merely incumbent upon those who work for hire but just as much, if not even more, upon those who, in their capacity as employers, manage and direct industrial enterprises and supervise the collective or individual labors of others. We consider such a policy "good business."

This organization has intensively and unselfishly fostered and promoted in every practical manner the doctrine that every employer should do everything in his power to cultivate and maintain a feeling and condition of human friendliness and brotherhood with his employees. An employer who does not, has poor business vision and is an undesirable citizen. It has always been a puzzle to employers at what stage of the industrial activity they and their employees cease to be co-operators.

It is a fact that the larger proportion of the most successful employers in this country are men who have seriously undertaken to restore or maintain conditions of friendliness and co-operative good will in their relations towards their employees. Many obstacles to such efforts on the part of employers have been deliberately fostered by influences outside their individual plants, by those who, while harping on the word "exploitation," have themselves actually and most seriously "exploited" the employees.

Fair dealing on the part of employers toward their employees has been demonstrated on more numerous occasions than fair dealing by employees who have blindly followed the orders of certain old-time masters of the self-profiting art of misleading labor. In this respect much remains to be done in order to clarify the industrial atmosphere and prevent the bickerings, strife and misunderstandings engendered by such labor misleaders and sowers of destructive class hatred and discontent.

Every legitimate and constructive resource at the command of the National Association of Manufacturers has in the past and will continue in the future to be devoted to fair dealings by employers. We feel that, outside of the everyday practical application of the Golden Rule to industrial relations, it is essential that all proper means of education should be fostered and encouraged. This latter need has already been at least partially filled by the nation-wide educational work inaugurated and carried on by the Association since the early part of 1916. In this campaign we made a somewhat successful effort to re-focus the industrial perspective of the American people and give to all classes of citizens a better understanding of their responsibilities to our industries and of the actual bearing which industrial prosperity has on the public welfare.

Through a carefully selected staff of public speakers, writers, various forms of printed literature, stereopticon slides and moving

picture films, we have spread broadcast the constructive gospel of industrial co-operation. The results achieved have been visible already in the recent more general awakening of political leaders, economists, leading employers and bankers, as well as among various craft and trade organizations, to the need for preaching and practising co-operative relations between the employer and the employe.

The work described has been performed by the National Association of Manufacturers because there seemed to be a general public misconception of industrial problems, needs and conditions which had greatly contributed toward industrial inefficiency and the creation of unrest and strife. It has been carried on free of any tinge of prejudice or controversial effort, simply as a constructive educational campaign to make possible the greater realization of that spirit of fair dealing enunciated in the first article of the Association's Declaration of Labor Principles.

(2) The National Association of Manufacturers is not opposed to organizations of labor as such, but it is unalterably opposed to boycotts, blacklists and other illegal acts of interference with the personal liberty of employer or employe.

From its organization this Association has never denied nor condemned the right to existence of labor unions. It has, however, insistently demanded that labor organizations be founded upon an enlightened public consciousness, and their operations based upon legitimate principles, and that they recognize the right of all workers to engage for their services under such lawful conditions as may seem best to them. Such organizations should establish responsibility for their contracts. Power without responsibility always leads to abuse. There can be little room for doubt that the general disuse into which such labor union tactics as boycotts and blacklists have happily fallen in recent years has proved not only their illegal nature (as numerous court decisions proclaim) but the emphatic disfavor of the general public regarding such practices.

"Cruel," "cowardly," "immoral" and "anti-social," are some of the judicial characterizations of the un-American labor union weapon, the boycott. The pernicious nature of both this practice and that of labor union blacklists is that they are serious invasions of the rights and personal liberties not only of the employer and employe, parties to a dispute, but inflict injury on third persons who are not interested parties in the controversy. We equally condemn any such practices on the part of employers. Against such oppressive illegal acts the Association has stood and always will stand firm.

(3) No person should be refused employment or in any way discriminated against on account of membership or non-membership

in any labor organization, and there should be no discriminating against or interference with any employe who is not a member of a labor organization by members of such organizations.

This declaration embraces the fundamental principle that every person who labors must have the freedom to engage for and deliver his or her services without interference; conversely, every employer of labor must have the freedom to hire the class, grade, quantity and quality of labor best suited to his needs. This is the definition of the important industrial principle of the "Open Shop." It is a principle that should neither be denied nor compromised in the interest of either employers or employes, and is a sound doctrine interwoven with certain inherent, individual, human rights. An analysis of this tenet shows it to be neither offensive nor destructive. On the contrary it is a safeguard of a sacred individual human right whether it is industrial in application and exercise, or otherwise. It is a concept upon which our constitution and political institutions are based.

(4) With due regard to contracts, it is the right of the employe to leave his employment whenever he sees fit, and it is the right of the employer to discharge any employe when he sees fit.

This declaration is based upon the vested individual rights of employe and employer. No one questions the right of any employe to terminate his employment when he desires to do so, but this does not carry with it the right to conspire with or influence fellow workers to quit simultaneously with him, to the injury or interference with their employer's business, or to undertake to prevent anyone from taking the position he has left.

On the other hand, it must be recognized that the employer has absolute freedom in the selection of employes that he considers will be satisfactory and efficient for the services required with compensation for such service at the prevailing rates of wages, and the right to dispense with such services whenever he desires to do so.

(5) Employers must be free to employ their work people at wages mutually satisfactory, without interference or dictation on the part of individuals or organizations not directly parties to such contracts.

Personal and legally recognized property rights vested in the builders, managers and owners of industrial enterprises, are involved in this article of faith. Old established common law rights of individuals to enter into such proper contracts as may seem best to each party thereto without interference on the part of third or outside persons are simply defended by this principle. It contains the timely sentiment that individual initiative and the institution of private property is something worth making the greatest sacrifices to

preserve. No effort is made to infringe upon any vested or recognized rights or privileges of employes in such a doctrine. Indeed, by stoutly asserting the specific rights of employers, as such, an indirect service is done to workers and an acknowledgment made of the fact that our industrial elements have certain clearly defined limitations in their relations with each other. No one is more vitally concerned in the right of individual contract than the worker. This right was denied in old English statutes and common law and the securing and establishment of this right was one of the first steps toward emancipation of the employed.

(6) Employers must be unmolested and unhampered in the management of their business, in determining the amount and quality of their product, and in the use of any methods or systems of pay which are just and equitable.

Herein is enunciated the fundamental condition of the successful conduct of business that the owners and managers of manufacturing establishments must be protected in their right to operate their plants without outside interference, according to the natural and legally defined regulations of commerce. The principle demands free exercise of individual business judgment and initiative, without which there would be little, if any, incentive to engage in business enterprise, and indirectly insists upon a recognition that the principles of management are primarily and distinctively within the province of plant owners and operators, and the intervention of outside, uninformed individuals or organizations is neither desirable nor proper in theory or practice. As the success and expansion of business depend primarily on management, it clearly follows that you cannot hamper management without injuring industry.

(7) In the interest of employes and employers of the country no limitation should be placed upon the opportunities of any person to learn any trade to which he or she may be adapted.

Unrestricted opportunity for industrial education of the youth of the land so that there may be produced efficient industrial workers is the underlying thought involved in this statement. It implies a complete rejection of the erroneous and harmful principle of trade unions by which limitations are placed upon the number of apprentices permitted to be employed in the skilled trades. In recent years there has been a widespread awakening of public interest in the subject of vocational training. Municipal, state and even the Federal Government, realizing the dire necessity for the more general systematic industrial training of our youth, have undertaken extensive plans in this direction. For more than twenty years the employers of the country embraced in the ranks of the association have not only recognized the urgency of this problem, but have

consistently made every possible effort to increase the opportunities of any person to learn any trade to which he or she may be adapted. The widespread recognition of this question during recent years is an indication of the soundness of the position taken by the Association upon this question.

(8) The National Association of Manufacturers disapproves absolutely be put aside and each be content, the worker to engage of all conditions between employers and employes by any amicable method that will preserve the rights of both parties.

This portion of our principles we honestly regard as a long standing monument to the American employer's recognition of the need and value of the maintenance of industrial peace. It will be noted that no specific recommendation as to a means to this end is contained in the principle. This in itself is an absolute refutation of the charge that employers have generally favored any iron-clad form of industrial armistice. Furthermore, no reference is here made to any special views which the employer may entertain as to various forms of industrial arbitration and conciliation which have been tried and in many instances found wanting.

The attitude of the organized employers of the nation in disapproving emphatically of the strike, which is commonly regarded as labor's chief weapon of offense as well as defense, has been no less emphatic with respect to disapproval of the lockout which has been regarded an offensive and defensive weapon of employers. Concretely put, it is the feeling of the members of the Association that the complicated question of wages and related industrial problems, in the interest of industrial development, must be met with the utmost fairness of which human intelligence is capable. The belief is now more general than ever among the employers of America that the old-time selfishness of both the employer and the employe must absolutely be put aside and each be content, the worker to engage for his labor at a reasonably proper wage and the employer to hire labor on the same equitable basis.

Going one step further, it is our firm belief that a more common recognition of the actual partnership relation and joint responsibility which exists between the man who pays a wage and the man who receives a wage, would be the greatest single contribution to the cause of industrial peace and prosperity that is capable of achievement.

(9) Employes have the right to contract for their services in a collective capacity, but any contract that contains a stipulation that employment should be denied to men not parties to the contract, is an evasion of the constitutional rights of the American workman, and is against public policy and in violation of the conspiracy law. This

Association declares its unalterable antagonism to the closed shop, and insists that the doors of no industry be closed against American workmen because of their membership or non-membership in any labor organization.

The evident purpose of such a declaration as this is the affirmation of the sacred and unassailable constitutional right of every worker and of every person to engage for his labor in a free and unrestricted market. Despite the efforts of many to garble and destroy this vital industrial truth, it is unquestionable that the prosperity of this country depends upon strict adherence to this fundamental rule of liberty and justice. The employers of America regard this principle as something that cannot, in the interests of free institutions, be abridged by legislation. In other words, we insist that no man or group of men, whether employers or employees, has any right to place a brand upon any human being and say that those so branded, regardless of merit, are entitled to special privileges, and in the same breath to say that those who are not so branded and not willing to be so branded must be limited in or prevented from the full exercise of their constitutional rights.

It may be timely to record the fact that the question of collective, shop bargaining, or coöperative representation already has had earnest consideration by a large number of manufacturers throughout the country, and practical and successful plans embodying such purposes are already in operation in many important establishments. In the adoption of these industrial representation plans no question is raised regarding the membership of workers in outside organizations.

These plans present a method by which employees can deal collectively, through representatives selected or elected by them, with their employers in relation to all questions and conditions of employment. They will furnish a new channel of communication between wage-earners and wage-payers whereby they may better be able to avoid misunderstandings and mutually agree upon satisfactory adjustments of wages, working conditions, etc., and promote and establish such friendly relationships and coöperative spirit as will be beneficial and to the best interests of both. Such activities are clearly within the scope of this principle of our organization.

(10) The National Association of Manufacturers pledges itself to oppose any and all legislation not in accord with the foregoing declaration.

This principle, the last of the ten embodied in the Association's declarations, is nothing more than a pledge that we will use all proper and legitimate effort to prevent the passage of laws designed by self-seeking interests, to contravene, infringe upon, or take away

from the human elements engaged in our manufacturing industries the sacred and inherent rights and privileges involved in any and all of the nine preceding declarations of principles. A careful analysis of the position enunciated in these principles we believe will convince any unprejudiced mind that they are unassailable and might well be adopted throughout the United States, as a sound basis for the conduct and guidance of American industrial relations, in meeting and solving the many existing problems of readjustment.

The spirit of the chartered purpose of the Association is best interpreted in the one word, "service"; service first to our country; second, service to our fellow men, both the toilers in the humblest trades and men of genius charged with vast industrial responsibilities; lastly, service to the perpetuation of America's magnificent manufacturing structure.

*Judge E. H. Gary: Address at Trinity College,
Hartford, Conn., June 23, 1919 **

Many of the wage earners have heretofore become property owners, owning the houses in which, with their families, they reside. Some are the holders of interest-bearing securities. The number of this character of investors is increasing. They have as keen a desire to see the institutions of this country protected as those who have greater riches, and they may be relied upon to lend their influence and their votes in favor of the protection of property and person. Opportunity must be given to the workmen to increase their pecuniary holdings so far as practicable. To this end I believe the employers will do their part.

*W. I. King: Wealth and Income of the People of the
United States † pp. 61-2)*

The only possible excuses, then, for allowing the great money-getter to retain his vast gains are that society is too lethargic to make the necessary effort to deprive the holder of his money or that, in some way, society will be benefited by allowing the fortune to remain in his hands. The defender of the millionaire, of course, bases his arguments upon the latter contention. We are all familiar with the reasons cited centuries ago for the maintenance of a leisure class—the desirability of fostering art, culture, etc. These

* Reprinted by permission from *The Iron Age*, N. Y., June 26, 1919, page 1727

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are now so much more widely diffused than in the older days that arguments of this nature have lost most of their force. About the only serious reason that can now be advanced in favor of wealth concentration is that it is necessary in order to secure a maximum national dividend—that exceptional rewards to the captains of industry result in exceptionally efficient production, thus increasing greatly the incomes of the people as a whole. This belief is not necessarily based on the untenable hypothesis that enormous rewards are necessary in order to secure the requisite degree of exertion and endeavor but rather it is contended that, if there were no millionaires, modern large-scale industry would hardly be possible—that corporations without leading stockholders in control would, at best, be weak, vacillating, and inefficient, and that the fifty millions which we permit the industrial captain to accumulate have been the price of an added production of one hundred million or two hundred million dollars' worth of goods which society would never have possessed had not the efficient control been paid for at a tremendous price. This is not the same as saying that we must pay the great organizer so exorbitantly for his efforts. It merely presupposes a necessity for a great accumulation of funds in the hands of one man in order to attain maximum productivity. The great entrepreneur is made a trustee for society.

*United States Chamber of Commerce: Principles of Industrial Relations**

For several years the National Chamber has had committees studying questions on industrial relations. The latest committee was appointed last December and having advantage of the study over discoveries of earlier committees, it has formulated a statement of several principles to be followed in the United States.

The members of the committee signing the report are: Harry A. Wheeler, Chairman; Henry Bruere, Vice-President American Metal Company, New York; William Butterworth, President, Deere & Company, Moline, Ill.; Joseph H. Defrees, of Chicago; Henry P. Kendall, of Boston, and John W. O'Leary, Vice-President and Treasurer, Arthur J. O'Leary & Son, Chicago.†

* Reprinted by permission of *The Nation's Business*, April, 1919, published by the United States Chamber of Commerce.

† These principles, upon being submitted to the 1100 commercial and trade organizations in the Chamber's membership were indorsed by the necessary two-thirds vote, with the exception of No. XIII, which was indorsed by only a majority vote.

I

Industrial enterprise, as a source of livelihood for both employer and employee, should be so conducted that due consideration is given to the situation of all persons dependent upon it.

II

The public interest requires adjustment of industrial relations by peaceful methods.

III

Regularity and continuity of employment should be sought to the fullest extent possible and constitute a responsibility resting alike upon employers, wage earners and the public.

IV

The right of workers to organize is as clearly recognized as that of any other class or part of the community.

V

Industrial harmony and prosperity will be most effectually promoted by adequate representation of the parties in interest. Existing forms of representation should be carefully studied and availed of in so far as they may be found to have merit and are adaptable to the peculiar conditions in the various industries.

VI

Whenever agreements are made with respect to industrial relations, they should be faithfully observed.

VII

Such agreements should contain provision for prompt and final interpretation in the event of controversy regarding meaning or application.

VIII

Wages should be adjusted with due regard to the purchasing power of the wage, and to the right of every man to earn a living at fair wages, to reasonable hours of work and working conditions, to a decent home, and to the enjoyment of proper social conditions.

IX

Fixing of a basic day as a device for increasing compensation is a subterfuge that should be condemned.

X

Efficient production in conjunction with adequate wages is essential to successful industry. Arbitrary restriction on output below reasonable standards is harmful to the interests of wage earners, employers, and the public and should not be permitted. Industry, efficiency and initiative, wherever found, should be encouraged and adequately rewarded, while indolence and indifference should be condemned.

XI

Consideration of reduction in wages should not be reached until possibility of reduction of costs in all other directions has been exhausted.

XII

Administration of employment and management of labor should be recognized as a distinct and important function of management and accorded its proper responsibility in administration organization.

XIII

A system of national employment offices, with due provision for cooperation with existing state and municipal systems, can be made, under efficient management and if conducted with due regard to the equal interests of employers and employees in its proper administration, a most helpful agency, but only if all appointments are made strictly subject to the Civil Service Law and Rules. Policies governing the conduct of a national system of employment offices should be determined in conjunction with advisory boards,—national, state and local,—equally representative of employers and employees.

Otto H. Kahn: *Individualism* * (Address before American Bankers Convention, 1918)

The individualism to which I adhere spells neither reaction nor greed, selfishness, class feeling or callousness. No less than those who carry their heart, visibly aching for the people and aflame against their oppressors, into magazine articles, political assemblies, and upon lecture platforms; no less than those who in the fervor of their world-improving pursuit discover cure-alls for the ills of humanity which they fondly believe new and unfailing remedies, but which, as a matter of fact, this old globe of ours at one time or

* Reprinted by permission from Supplement of *Commercial and Financial Chronicle*, Oct. 10, 1918. Published by William B. Dana Co., New York.

another, in one of its parts or another, has seen tried and discarded, after sad disillusionment—no less than they are we desirous for the well-being and contentment of the masses of the people and sympathetic toward and responsive to their aspirations. . . .

I suppose most of us when we were twenty knew of a short-cut to the millennium and were impatient, resentful, and rather contemptuous of those whose fossilized prejudices or selfishness, as we regarded them, prevented that short-cut from becoming the high road of humanity. Now that we are older, though we know that our eyes will not behold the millennium, we should still like the nearest possible approach to it; but we have learned that no short-cut leads there, and that anybody who claims to have found one is either an impostor or self-conceived. We have seen into what an abyss of despair and disgrace and suffering the self-constituted, fanatical or corrupt guides to the millennium have plunged the people of Russia who followed them confidingly.

Individualism frankly denies that the world can be run on a theory which presupposes the existence of mental, moral, and physical equality between men. Equality before the law, equality of political rights—yes, equality of opportunity, as far as humanly possible—yes. But an inscrutable Providence has bestowed upon His creatures, animate as well as inanimate, inequality of natural endowment, and from that springs, and must necessarily spring, inequality of results. Abstract justice is not the eternal scheme of things. Why do some trees grow straight and magnificent, and others wither or are stunted? Why are some people born with vigorous constitutions or with conspicuous talents and others not? Why is Caruso gifted with a voice which enables him to make as much money in one evening as the average artist gets for a year's work? Why do people willingly pay \$10,000 or more to have a portrait painted by Sargent, when Tom Smith would gladly accept \$100 for making the picture? Why are some people endowed with the privilege of understanding and appreciating art and deriving a wealth of joy, recreation and inspiration from it—a privilege which I personally would not exchange for any amount of money—and many others not?